New Opportunities for the Investor—See Page 143

The ANNALIST

A Magazine *of* Finance, Commerce *and* Economics

Published Weekly by
The New York Times Company

The Annalist Barometer of Business

Prices:

	Week Ended Jan. 19, 1924 High.	Week Ended Jan. 19, 1924 Low.	Previous Week High.	Previous Week Low.	Same Week, 1923. High.	Same Week, 1923. Low.
Stocks (*Average of 50 Issues*)	85.64	84.02	86.16	84.58	86.68	84.17
Bonds (*Average of 40 Issues*)	78.33	78.08	78.22	77.28	78.96	78.44
Annalist Food Cost of Living	177.175		176.127		184.463	

Finance:

		Week Ended Jan. 19, 1924.	Previous Week.	Same Week, 1923.
Federal Reserve Ratio		80.1	78.4	76.1
Money Rates in New York	*Call*	4 to 5	$3\frac{3}{4}$ to $4\frac{3}{4}$	$3\frac{1}{2}$ to 4
	Time	$4\frac{3}{4}$	$4\frac{3}{4}$ to 5	$4\frac{1}{2}$ to $4\frac{3}{4}$

Production:

		December, 1923	November, 1923	December, 1922
Unfilled Steel Orders	*Tons*	4,445,339	4,368,584	6,745,703
Pig Iron Production	*Daily, tons*	93,736	96,476	99,577
Building Permits	*Cities*	145	160	153
	Amount	$225,378,725	$245,937,243	$224,859,000
Commercial Failures	*Number*	1,862	1,653	1,862
	Liabilities	$80,372,443	$68,915,016	$47,805,918

Transportation:

	Period or Date	1924.	Normal.	Per Cent. Departure from Normal.
Revenue Car Loadings:				
All commodities	Year to Jan. 5	703,269	722,948	— 2.7
All commodities	Week ended "	703,269	722,948	— 2.7
Grain and grain products	" " "	31,895	41,387	— 22.9
Coal and coke	" " "	170,492	191,288	— 10.9
Forest products	" " "	47,396	48,534	— 2.3
Manufactured products	" " "	413,735	398,780	+ 3.8
Freight car surplus	4th Qtr. Dec.	312,338	179,528	+ 73.9
Per cent. of freight cars serviceable	Jan. 1	93.1	91.2	+ 2.1
Per cent. of locomotives serviceable	"	83.9	76.3	+ 10.0
Gross revenues	November	$531,507,756	$505,381,597	+ 5.2
Expenses and taxes	"	$445,376,982	$450,094,143	— 1.0
Rate of return on tentative valuation				
Eastern District	Year to Dec. 1	5.49	5.75	— 4.5
Southern District	" " "	5.97	5.75	+ 3.8
Western District	" " "	4.58	5.75	— 20.3
United States as a whole	" " "	5.16	5.75	— 10.3

New York, Monday, January 21, 1924

Vol. 23, No. 575

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RESOURCES

Loans and Discounts		$38,632,548.18
United States Obligations		43,484,894.43
Other Bonds and Investments		27,663,986.80
Overdrafts		10.03
Cash and due from Banks		25,842,291.53
		$135,623,730.97

LIABILITIES

Capital		$7,500,000.00
Surplus and Undivided Profits		5,504,500.81
Reserves		4,181,212.10
Borrowed from Federal Reserve Bank		500,000.00
Circulating Notes		7,903,600.00
Deposits—Banks	$28,863,831.11	
Individuals	82,070,586.95	
		110,934,418.06
		$135,623,730.97

DIVIDENDS.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY

A dividend of two per cent ($1.00 per share) on the COMMON Stock of this Company for the quarter ending December 31, 1923, will be paid January 31, 1924, to Stockholders of record as of December 31, 1923.

H. F. BAETZ, Treasurer.

New York, December 19, 1923.

THE ESMOND MILLS

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HAROLD C. WHITMAN, Treasurer.

On February 1, 1924, there will be paid to all common stockholders of record at the close of business January 25, 1924, a dividend of one and one-half (1½) per cent.

HAROLD C. WHITMAN, Treasurer.

The ANNALIST

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Vol. 23, No. 575 — NEW YORK, MONDAY, JANUARY 21, 1924 — Ten Cents

In this Issue

Mellon's the Most Scientific Tax Law Ever Proposed

By MILTON RINDLER, Tax Specialist

ARE we at last to have a safe, sane and scientific tax law with reasonable rates and equitable provisions? Or is the path to prosperity to be blocked by petty politics and factional disputes? Secretary Mellon has presented to Congress a law with reduced rates and revisions which seek to remedy iniquitous results of previous laws.

The most important factors to be considered by Congress are reduction of the maximum surtax rate to 25 per cent. of the amount of net income in excess of $100,000 and a normal tax of 3 per cent. on the first $4,000 and 6 per cent. on all over that amount. At present the maximum surtax rate is 50 per cent. of the net income in excess of $200,000 with a normal tax of 4 per cent. and 8 per cent. Thus, under the present law, with State taxes, all income over $200,000 is taxed about 60 per cent.

It seems absurd but it is nevertheless true that this high surtax will yield less revenue than a lower surtax. Under present conditions, the man of wealth invests in tax-exempt securities yielding him a net return of 4 per cent. to 5 per cent. Why should he erect buildings at a risk which will return a yield of 10 per cent. to 15 per cent. if, after paying the tax, he finds a net yield of 4 per cent. to 6 per cent.? His land will not become less valuable—why not, therefore, wait until taxes are reduced sufficiently to allow him a fair return on his investment? The same is true of mines, wells and other holdings which would be operated were it not for the prohibitive tax on income. As a result, we find vast amounts being invested in tax-exempt securities, causing unreasonable borrowing, extravagance and waste by States and municipalities, and forcing the interest rates of industrials and Federal Government bonds higher. As a further result, we see higher rents and higher prices for necessities on account of curtailed building and other industrial operations. This is the outcome of high taxes.

It has been suggested that tax-exempt securities be abolished. This could not be accomplished within a short time and without a great deal of friction. Even then, it could hardly be applied to securities already issued without a violation of confidence and breach of moral obligation on the part of the Government. On the other hand, if applied only to future issues the abolition not only would fail of purpose but also would present to tax evaders a bonus of the increase which, in value of the old tax-exempt securities, would be inevitable.

A reduced surtax which will allow a reasonable yield on investbusiness activity. This is accomplished in Mr. Mellon's maximum surment must therefore be effected to restore incentive and stimulate tax rate of 25 per cent. and normal rates of 3 per cent. and 6 per cent. which leave 10 per cent. on a nominal return of 15 per cent. and 7 per cent. on a return of 10 per cent. If a compromise is effected in rates, the result will be failure, inasmuch as the Mellon rates are the maximum rates which must be adopted in any plan to produce the desired effect.

The other provisions of the Secretary's draft show an equally detailed knowledge of present tax inequities and a desire to remedy them. The result is the most scientific tax law as it affects individuals ever proposed.

The first inequity corrected is the definition of taxable year to include a fractional year period instead of the present law's restriction of such periods to only those of twelve months. This change has more effect than is apparent at first glance, as will be noted later.

Section 200D of the proposed law allows deductions from income and credits for the taxable year in which paid or accrued "unless in order to clearly reflect the income the deductions or credits should in the opinion of the Commissioner be taken as of a different period." Under the present law the quoted provision is extended only to losses sustained in the taxable year. The provision in either case is unwarranted and places too much power in the Commissioner.

In other words, the proposed draft would permit the Commissioner to allow interest, taxes, expenses or losses in whatever period they belong, in his opinion. This vests in the Commissioner altogether too

much power. I believe that the same intention could be better accomplished by a provision reading "unless in order to clearly reflect the income the deductions or credits should, according to the method of accounting which most clearly reflects the taxpayer's net income, be taken as of a different period." The correctness of the method of accounting would then be the deciding factor instead of the opinion of the Commissioner.

Dividends are, under the proposed law as at present, to be regarded as paid out of the most recently accumulated profits. This is incorrect in theory and inequitable in practice. It was necessary to enact such a provision while the excess profits tax was in force because of the effect of a dividend in reducing invested capital unless paid out of current earnings. At present, however, there is no logic to such a provision. Corporations do not ordinarily distribute current earnings until past earnings have been either distributed or set apart for some specific purpose. A dividend should be deemed to be out of a corporation's earliest accumulated profits since March 1, 1913, and not out of current earnings. It cannot be out of earnings prior to March 1, 1913, unless all earnings including current earnings have been distributed, because all corporation surpluses on March 1, 1913, constitute capital under any income tax law. Assume the case of a personal service corporation which on Dec. 31, 1921, had a surplus of $200,000, representing earnings for 1921 which had been taxed to its stockholders. In June of 1922 a dividend of $50,000 is paid out of the past year's profits. Under both the present and proposed laws this dividend, if covered by current profits, is taxable to the distributees at 1922 rates. In reality, the dividend is out of profits which have already been taxed to the stockholders and should not be taxed again.

The "most recently accumulated earnings" has been interpreted in Article 857 of Regulations 62 to mean the net income as finally determined for Federal income and excess profits tax for the year less

Continued on Page 148

(1) (2) Money — Standard (3) Credit
Prices
title

International Finance: V.—A Concertina Currency

By HARTLEY WITHERS

author

The fifth of a series of articles by this writer on international finance.

AS every one knows, there is now an important body of people which is in favor of abolishing the gold standard and setting up a system under which the currency shall be "scientifically" regulated with a view to maintaining stability of prices. This opinion is chiefly cherished by theoretical economists, among whom Professor Irving Fisher in America, Professor Cassel in Sweden and J. M. Keynes in England are the most distinguished. Such names as these naturally carry great weight, but before we embark on the scheme that is put forward with such high authority behind it it seems necessary to inquire whether or not it is really possible to produce the results that its advocates claim for it.

The scheme is based largely on a belief in what is called the quantity theory of money, which tells us that the general level of prices depends on the relation between the volume of money coming forward to buy goods and the volume of goods coming forward to be bought. If money is increased, as it was during the war, more rapidly than the volume of goods, then the value of money naturally falls and the general price level goes up. Contrariwise, when the volume of money is contracted, less money is available for the purchase of goods and, unless the volume of goods is also contracted, goods can only be sold at a lower level of prices. This theory seems to be so true as to need no demonstration, but it is complicated by a highly important matter which is very difficult to calculate. The amount of money coming forward for purchases depends not only on the actual volume of money available but on what economists call the velocity of circulation—that is to say, the readiness with which people will make purchases.

We thus see that, in order to affect prices, it is not enough merely to expand or contract the total volume of money. If the public takes it into its head not to make use of the increased money that may be put at its disposal or to make a more rapid use of the decreased supplies that it may hold, the effect of the expansion or contraction might be defeated; and this is a point which seems to be occasionally overlooked by the advocates of what may be called a concertina currency, which is to be contracted or expanded in order to secure stability of prices.

Moreover, even the actual business of contraction or expansion is not as easy as some of its advocates maintain. Professor Cassel argues that, under a "true bank policy," it ought to be possible to regulate the rate of credit so that no change in prices shall take place. Mr. Keynes, in his recent "Tract on Monetary Reform," shows that the Bank of England, besides moving its rate, has other weapons that it can use for the contraction and expansion of credit. It can buy and sell gold or investments, and, though it has not the same control over the amounts of its discounts and advances, it can, within reasonable limits, regulate them by varying its price for them—that is, by changes in bank rates. It will certainly be admitted that in times of rising prices and too exorbitant trade optimism it is possible for those who control our monetary machine to put a brake on by raising the price to be paid for money; but, as was shown in 1919 and 1920, it takes a very long time before the rise in the price of money has any effect upon the amount of credit and of purchasing power available. The bank rate was put up to 6 per cent. in November, 1919, and 7 per cent. in the following April, but the deposits at the English banks, which may be taken as a rough measure of the extent of credit available in this country, continued to expand up to the end of 1921. A great fall in prices happened in the meantime, and it was probably true that the rises in bank rate had a considerable psychological effect and helped to produce that reaction; but it was not done by a contraction of credit, because credit did not contract. Nevertheless, it may be admitted that if the weapon of bank rate is used with sufficient ruthlessness it is possible to check a boom and cause a reaction in prices, but there is always danger that a dose of this medicine may produce panic; and if the currency is supposed to be a thing which the authorities are to regulate at their will, there is always a danger of protests, which might have considerable effect on the minds of the Government of the day against any measures which would check trade activity at a time when it appears to be producing considerable prosperity in the country. Stabilization of prices through contraction may thus be admitted to be possible but to carry difficulties and dangers in its train.

The other kind of stabilization that is necessary when trade is depressed and prices are falling, by an expansion of credit, is much more difficult. In fact, it has been shown by historical examples not to happen when, according to the advocates of the concertina system, it ought to have been relied on with confidence. In 1922 credit contracted in spite of a declining bank rate which came down from 5 to 3 per cent. This was because, owing to external causes over which we in this country had no control, political disturbances and apprehensions in Europe were having an effect upon our foreign trade which inevitably reacted on the home trade also. Nothing that the Bank of England could have done in the way of offering cheap credit or giving it away for nothing could have induced producers and merchants to engage in enterprises on which they saw the probability of considerable loss; and, consequently, though credit was continually made cheaper, its volume continued to contract because it was not wanted for purposes of enterprise.

If it be argued that this after-war period is totally abnormal and subject to influences which have never happened before and may never happen again, we may then go back to the much more normal experience of the years 1890 to 1895. Then, though there had been no important wars, there had been serious trade reactions and crises in Argentina, Australia and the United States. Trade was consequently depressed, and, although there was a very considerable expansion in credit and an increase in bank deposits, trade remained depressed and the prices of commodities continued to decline.

There thus seems to be very good reason to doubt whether proposals to secure stability of prices by means of variation in the volume of credit and currency are nearly as practicable as they seem to be to those who urge their claims with such high authority. And there is yet another consideration. All that these distinguished gentlemen can promise is that the general level of prices, as measured by what are called "index numbers," shall be stabilized. But this steadiness in average prices is quite compatible with the violent fluctuations in the price of any particular commodity. For instance, it would be possible for a very rapid advance in wheat to be balanced by a very heavy fall in iron and for the index number to remain absolutely stable while these violent fluctuations were taking place in two important commodities. To those engaged in industry it is not enough to know that there is going to be little or no change in the general average of prices. What they want to know is what is going to happen to the particular commodity which they produce or in which they deal. Thus, the theory that a stabilized index number would relieve trade and industry from all anxiety concerning a price movement and would enable producers, manufacturers and merchants to go ahead, relieved of one of the principal fears which now make their calculations difficult, seems to be quite without foundation.

Official Washington: By RODNEY BEAN

No Radical Railway Legislation Likely at This Session

Special Correspondence of The Annalist.

WASHINGTON, Jan. 19, 1924.

It is not an easy thing to determine just what the foes of the Administration in Congress, under the leadership of Senator La Follette of Wisconsin, expect actually to accomplish during the present session in "reforming" transportation legislation. There has been a good deal of noise in Radical circles during the last week or ten days and numerous bills have been introduced, the most striking of which were fathered by Senator La Follette and Senator Norris of Nebraska. But these represent extreme desires of some of the Radical group, not legislative measures which they have reason to believe will receive support from the Democratic minority in Senate and House, or from any substantial number of Republicans classed as Progressives, as opposed to the characterization of Radicals.

There has been much talk also of the probability of a coalition of Democratic members of Senate and House with the Radical forces in the handling of railroad legislation, and this line of argument received a big impetus when Senator Smith of South Carolina was elected Chairman of the Senate Interstate Commerce Committee because four of the Radicals, unable to obtain the selection of one of their own number, voted for Senator Smith in order to prevent the naming of Senator Cummins, the Administration leader. It cannot be too strongly emphasized, however, that this does not foretell a combination of the Democrats with the La Follette group of radicals for the adoption of legislation for the wholesale destruction of the principles of the Transportation act of 1920, as advocated by Mr. La Follette.

Senator Smith and several of his Democratic colleagues, while advocating changes in the Transportation act which would bring about a reduction of freight rates, if that is possible without going to extremes such as Government ownership or the confiscation of railroad properties, are not followers of the La Follette doctrines, which many experts contend would lead to just such an emergency. They would like, however, to see the much-discussed Section 15-a of the Transportation act repealed or amended if it can be demonstrated that such action would actually bring about a reduction of rates, particularly in the agricultural districts, and could be accomplished without destroying railroad property values.

That the Democratic leaders in the Senate are finding it difficult to hit upon the program which would bring the results they desire without going to the extreme of Government ownership or confiscation, has been made evident by the uncertainty in the tenor of statements issued by representative leaders since the selection of Senator Smith to head the Interstate Commerce Committee. Senator Smith, for instance, when urged to make a statement defining his position, is said to have given a good deal of thought to the subject and to have found it one which was not easy to master in a manner which would meet with the approval of his fellow-workers. The declaration which he finally made may be boiled down to the following paragraphs:

"It is not possible at this time to anticipate what action the committee will take touching the important measures which it is expected will be brought before it.

There is a widespread demand for a substantial reduction in freight rates. All interested should co-operate to provide relief from the burden of excessive freight rates. This applies with special emphasis to the intolerable burden imposed under present rates on agriculture.

Next came Senator Robinson of Arkansas, Democratic floor leader, who declared that newspaper stories concerning differences of opinion among the Democratic members over transportation policy were false, and then added a statement which must have given little comfort to the La Follette group. He said, in brief:

Democrats in the Senate desire to see the transportation system of the United States improved so that not only investors in railroad securities may be treated fairly, but also the shippers and consumers may be better protected against discriminations and oppressive charges and receive transportation service at just and reasonable rates.

Transportation charges are intimately related to the cost of living and the prosperity of industry. Agriculture has been especially embarrassed, and readjustment of freight rates seems essential before that industry can be placed upon the basis of permanent prosperity.

Even if it should prove impossible to reorganize the freight rate structure, it is necessary that some plan be provided for substantial reductions in rates and for the removal of inequalities and deficiencies in service. The railroad managements have made notable progress during the last year in this latter respect and Congress should manifest its readiness to facilitate this advance in every proper way. Widespread demand exists for the elimination of the Pullman surcharge, and this should receive the consideration of Congress.

If these statements by the new Chairman of the Interstate Commerce Committee and the Democratic floor leader may be accepted as declarations of policy, there would appear to be little which would indicate a swarming by the Democratic leadership to the banner of radicalism as represented by Senator La Follette and his little band of extremists. Admittedly they are preliminary, and incomplete as expressions of what the Democratic membership of the Senate stands for, but it is difficult to reconcile them with forecasts that the era of radicalism, in dealing with the railroads, is at hand.

So far as any one seems to know, Senator La Follette has not obtained an agreement among radicals, Democrats, or progressives of the Republican fold, upon a definite program which might have some chance of receiving substantial support. His bill demanding that rates be fixed on the "basis of cost of service" over a legislative route which would upset all principles of rate making now recognized by the Federal laws and the Federal courts, was tossed into the Senate bill basket without his having obtained a prior agreement even among the majority of the radical-progressive group of which he has laid claim to leadership. And there is not the slightest chance of its being reported favorably in its present form by the Interstate Commerce Committee of the Senate to which it has been referred.

Probably Senator La Follette was aware of this when he introduced his bill. Senator Norris also must have known that he could not hope for a favorable report by the committee on the bill he introduced "to regulate interstate commerce by the instrumentality of a Government corporation which has the power to build a railroad anywhere in the United States, &c."

A member of the so-called radical-progressive group complained of this lack of unity of opinion and action when the writer asked him what he thought might be accomplished in amending the Transportation act in order to make it conform to the radical idea of what a transportation law should be. "One trouble is," he said, "that there has been no definite program mapped out. So far as I know, there has been no agreement, to which the progressives have subscribed, on a plan of action which may give hope of definite results. The best I can say is that I think there will be a coalition of Democrats and Progressives on two propositions, namely the repeal or amendment of Section 15-a of the Transportation act, and the abolishment of Pullman surcharges."

THAT just about represents the talk which is being heard now among members of Congress who take the position of opposing the Administration's transportation policy. Emphasis is generally laid upon the "necessity for the repeal of of Section 15-a," although when pinned down to a discussion of that point, the advocates of such action are a bit hazy in explanation of just how the repeal would bring about reduction of freight rates unless it was coupled with some new valuation and rate-making legislation such as the La Follette "basis of cost of service plan" to which many of the Progressives and Democrats are unwilling to give their support, and which those who do stand out as its advocates are ready to admit has no chance of being accepted by the present Congress.

Senator La Follette, furthermore, must have realized that there was no chance of his "cost of service" plan being enacted into law, at least in time to give any quick relief to the agricultural districts, when he followed it up by introducing in the Senate a resolution which would direct the Interstate Commerce Commission arbitrarily to reduce rates on agricultural products to pre-war levels. Again the introduction was scarcely more than a gesture, as even if it were adopted, the Interstate Commerce Commission could not take such action legally unless the present laws covering rate making were revised; and if it did so act the courts undoubtedly would uphold a contention by the railroads that the action was unjustified.

Faced by such arguments the Radicals and Democrats who advocate a speedy slashing of rates are usually forced to admit that the drastic rate reduction which they desire cannot, as they had hoped, be brought about by Congressional action which approaches the subject without a full consideration of all of the factors involved. Some of the Progressives have admitted this already, and have given up hope of accomplishing anything very definite during the present session which would provide an overnight cure-all for what they allege is an unfair rate situation. And in view of this it is not surprising that the Democratic minority in the Senate is finding it difficult to evolve a transportation policy which would be immediately effective

Continued on Page 147

The Annalist Business Bookshelf

A Guide For Bank Borrowers

BORROWING FROM YOUR BANK, by Stuart H. Patterson, Comptroller, Guaranty Trust Co.: New York: The Ronald Press.

Reviewed by WILLIAM MALBURNE, Vice President, American Exchange National Bank of New York.

IT IS a fact well known to the public that the bank teller or bookkeeper or clerk can never be brought to the public's viewpoint. Doubtless the bank teller can retaliate by denying that the outside public can appreciate the banker's viewpoint. His work is so technical and so carefully proved that mistakes of a certain kind are practically impossible. Thus, when a man goes into a bank and reports that last Tuesday the teller paid him $5 less than he should have on his check, the teller examines his cashbook, finds that he "balanced" on that day and without the slightest hesitation assures the claimant that he is mistaken, and in answer to any argument the customer may make he is told, "Well, I couldn't have underpaid you $5 on that day because my cash balanced." The customer, who is not familiar with the methods of keeping accounts in banks, is not impressed and feels that his statement that he only had $75 when he should have had $80 should be given equal consideration with the teller's statement.

"Borrowing From Your Bank" is written by a bank officer, and while the preface states that its purpose is to indicate what the banks require so that prospective borrowers may prepare themselves in advance, the whole tone of the book and the character of the information contained make it an excellent textbook on the technical part of borrowing for a bank clerk but of little use to the borrower, whom it is intended to assist. The reader is told how to keep a bank in liquid condition; the bank's need of making money is explained; the limit for which banks may accept bills (but, strange to say, not the limit for which they may lend money) is stated. The fact that the borrower is a human being who goes to the bank, generally reluctantly, to ask for a loan is given no consideration. It is true that the author states that many men stand in awe of their bank and that others have the impression that banks have the reputation of taking the last cent they can extract from people who have to borrow money and feel that the less they have to do with banks the better off they are. Instead of trying to dispel this awe and correct this impression, the customer is told that, while some banks are not progressive, keen competition has created a different atmosphere in modern banks and they are glad to co-operate with customers in working out problems when customers are willing to put the facts frankly before their bankers. This is the true banker's standpoint to which the customer objects and which makes him stand in awe.

The book, as above stated, should make an excellent handbook for a man in the loan department of a bank, as it furnishes him in concise form a great part of the information that is necessary for him to have to be thoroughly equipped for his position. There are some omissions; for example, he is not told what the limit is on the bank's power to lend to one borrower. There are some matters which are perhaps not presented forcibly enough, as the necessity of having a borrower's financial statements and profit and loss statements running over a series of years. The difference between secured and unsecured loans is not clearly expressed, if, indeed, the author gives the same meaning to the term "unsecured" that is usually given. There are a few misstatements, as where it is said that at crop-moving seasons and some other times banks *should* borrow from the Federal Reserve Bank in order that larger funds may be placed in circulation to take care of the increased demand and where it is stated that the proper amount of elasticity in currency is provided for in the Federal Reserve act, which might be true under that act as originally drawn but is not true at present. A number of statements are so hedged about by reservations that before the writer has finished with the subject he has practically contradicted his opening statement in regard to it. These, however, are not serious faults and detract but little from the value of the book.

It is to be regretted, both for the benefit of bank men and of borrowers, that the author had not been a little more explicit in his statement that loans must be kept liquid and in showing how this can be brought about. We refer particularly to what should be a general requirement, that money furnished by the bank to the borrower is not used by him as part of the capital in his business. It is stated in the book that this should not be permitted but it is not expressly shown that the only way this can be prevented is by requiring the borrower to pay up all of his bank loans as many times during the year as he can according to the business in which he is engaged. It may be that he can only operate without borrowed capital one time in the year, or it may be two or three or four times. If he can not clean up his loans at the bank at least once a year, he is trying to carry on his business with an insufficient amount of capital and the bank is furnishing him with the needed amount. If the bank were to demand payment of this loan the borrower could not make it without seriously disarranging his business. The loan should be made so that the bank will know that at a certain time it can count on its payment if the bnak demands it.

Until a comparatively few years ago all commercial banks required borrowers to pay off their loans whenever the extraordinary demands of the business, which were generally seasonal, were over. During the war, largely under the influence of competition between banks for business, borrowers were only required to clean up once a year and often this operation was, in most cases, perfunctory because the borrower would shift his loans from one of his banks to another or else he would clean up for such a short period, i. e., from ten to thirty days, that he really never took the amount of the loan out of the money used in his business at all but selected a time when demands on him were few and "held his breath" for a few days. Needless to say, such a cleaning-up is a farce. The requirement of cleaning up is made so that the loan may be kept liquid; that is, to see that it is not used by the borrower as permanent capital in his business but only for temporary purposes and can be repaid when the time that extra money is required in the business is past. One wishes, therefore, that this interesting little book, "Borrowing From Your Bank," had stressed more strongly that, both from the banker's and borrower's standpoint, loans should be kept liquid and had explained why it is to the advantage of both parties that it is necessary.

The great danger in permitting banks to hold non-liquid loans arises from the fact that, owing to the rediscounting privileges of the Federal Reserve Banks, the member banks rely less on their ability to raise funds for themselves in time of stress than they used to do. Every year finds a greater proportion of the funds of the commercial banks of the United States invested in non-liquid securities of various kinds. The demand for capital funds is being shifted from the investor, where it properly belongs, to the commercial banks, where it does not belong at all, because it is quicker and easier to raise the money that way. Unless this tendency on the part of the banks to increase their non-liquid assets (which are more profitable to the bank in the way of interest and commissions than the liquid commercial loans) is checked, the time will come when they will not be able to furnish liquid assets to the Federal Reserve Banks in exchange for notes or credits. Even if the requirements of the Federal Reserve Banks as to the kind of liquid assets they will take are made less stringent, the evil hour will be merely averted, not prevented, and for this reason it is important that every person writing on banking or credit should state the evils arising from the accumulation of non-liquid assets in commercial banks and explain how these evils can be prevented.

Auditing Safeguards Business

AUDITING PRINCIPLES, by Robert H. Montgomery; 494 pages. New York: The Ronald Press.

Review by HAROLD P. PRESTON.

THIS book is addressed to students of auditing and is designed as a textbook of the general principles of this profession, based on the author's well-known standard work, "Auditing Theory and Practice." While wholly fulfilling its primary purpose, it also serves a useful secondary function, namely, that of imparting to business men in general the necessity of an audit and the fundamental purpose thereof.

Mr. Montgomery points out that, today, the chief function of an audit is not the detection of fraud but the determination of the actual financial condition and earnings of an enterprise. Naturally, a thorough audit will reveal fraud and defalcation, should they exist, but this is not its primary purpose.

To those business men who lack actual accounting knowledge, but are familiar with its underlying principles, a reading of this work might prove helpful. It should give them a concrete idea of the benefits of auditing as applied to their own organizations and sufficient grasp of the fundamentals of this science to afford a basis for intelligent discussion as to the scope of a proposed audit. It would seem that executives unfamiliar with this branch of business activity would

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√ Joint stock land banks - Bonds.

The Mortgage in the Investment Field

By GEORGE CLARKE COX, Ph.D.

note:

III. The Farm Mortgage: Federal Land Bank and Joint Stock Land Bank Bonds

IN melodrama and the movies the farm mortgage is still looked upon as the possession of the miserly villain who is about to deprive the oppressed heroine of her few acres and her home until thwarted by the hero; but this is about as true to life as melodrama usually is. In real life the farmer is often glad to have a mortgage. He can use the money in his business and make more by mortgaging than by having his farm free and clear.

Doubtless there are still abuses; and it is a matter of record that, until the establishment of the Federal Farm Loan Board in 1916, many farmers, especially in the West and South, were oppressed by having to pay an undue amount, from 8½ per cent. to 10 per cent. or more, for money borrowed on perfectly sound security. Before 1916 all farm mortgages were held either by simple and ingenuous private investors, whose risks in such investments were comparable to those of private holders of city and suburban real estate loans; or by loan sharks whose practice approached the melodramatic kind; or by mortgage houses sometimes allied with unscrupulous brokers; or, finally and chiefly, by the large life insurance companies.

The abuses referred to were of the following kind: Mortgages were usually made for from three to five years, and not only was interest often higher than necessary but high commissions for making the loans were exacted, titles were searched more frequently than necessary, and the whole process was repeated at each renewal of the mortgage. These methods enabled the unscrupulous, while keeping within the letter of the law, to mulct the poor farmer in large sums. The abuses were real. Life insurance companies, generally held guiltless in the matter, were limited in the amounts they had to loan and naturally chose the choicer loans. That the creation of Federal Land Banks and Joint Stock Land Banks has not thus far caused any serious loss of business to the life insurance companies is evidenced by a few figures.

	1917	1922
Farm loans of life insurance companies..	$730,030,865	$1,454,267,343

Total loans of Federal and Joint Stock Land Banks at the close of 1922 were $858,000,000 and the increase in 1923 is about $440,000,-00, largely due to the rapid growth of the Joint Stock Banks in that year; while incomplete figures for 1923 show that life insurance companies also have added largely to their mortgage loans, though a larger proportion has gone into city property than into farms. If the creation of the Federal Farm Agencies shall ultimately result in depriving the life insurance companies of a considerable field for profitable investment it will be a pity; for until 1916, throughout the country's history, the great bulwark of the farmer was these same companies, from which he received fair treatment and the only large help afforded. That, however, is aside from our subject to some extent. The life insurance companies are, in the main, magnificently equipped for their investment work and are amply able to take care of themselves.

There were no considerable and safe farm loans available to the general investor until the creation of the Federal Farm Loan Board in 1916. Now there are large and increasing issues of the two forms, they have a wide and steady market, and the farm mortgage is available to any one who finds it attractive precisely as the United States Government bonds, railroad bonds, public utilities and industrials, as well as the urban real estate bond, the subject of a previous article.

The Farm Loan act of 1916 was passed "to provide capital for agricultural development, to create standard forms of investment based upon farm mortgages, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents and for other purposes." Our interest in this article lies in two phrases only: "to create standard forms of investment based upon farm mortgages, to equalize rates of interest upon farm loans."

Two types of institution were created, both of which may issue bonds for sale to the general public. The Federal Land banks, twelve in number, each located in a district determined by the Farm Loan Board and together covering the entire country, are pretty direct Government agencies. Their initial capital was furnished by the Treasury Department and the temporary directors were appointed by the Farm Loan Board. One-third of the directors must always be so appointed. They are authorized to issue bonds against first mortgages deposited with a Registrar (Government official), the mortgages being in each case made by members of National Farm Loan Associations. These associations, authorized under the act, shall consist of not less than ten natural persons, each of whom owns land on which he wishes to place a mortgage. Each of these prospective mortgagors must purchase stock in his Federal Land Bank to the extent of 5 per cent. of the proposed mortgage: and, if he has not the money, may borrow it through the Farm Loan Association, the amount to be added to the face of the mortgage. In addition each must purchase 5 per cent. of the face of his mortgage in his own loan association stock: and on this there is double liability. It is unnecessary, in this connection, to go into the machinery of loans, more particularly as the treatment is tedious in the extreme and need concern the purchaser of bonds not at all.

The net result of it all is as follows: Bonds are issued only against first mortgages on farm lands and improvements, the land at 50 per cent. of its appraised value, the improvements at 20 per cent., appraisals being made always by Government officials. It is the practice to make appraisals on the farm as a whole, whereas life insurance companies will loan only upon the value of cultivated or cultivable land. All members of a Farm Loan Association are held liable for the share of default, if any, which is represented by the stock each one holds; and all twelve member banks in the system must make good any default in any particular bank, in the proportion represented by their outstanding bonds. This is considered by some to be an extremely strong guarantee; others are skeptical.

Very minute appraisals are made upon both land and improvements, and all loans are made only for agricultural purposes and only to actual farmers. One of the purposes of the act—in fact, its main purpose—was to help actual farmers, not to provide mortgage loans for speculators. There can be no doubt that if competent and honest appraisals are made the security should be ample, although the proportion loaned upon is larger than that of life insurance companies, which habitually lend little more than 40 per cent., and that on land only, cultivated or cultivable, as noted.

A highly important aspect of all such loans is yet to be noted—amortization, killing off the mortgage. Loans are made for not less than five years nor more than forty years, and the recommended period is thirty-three years. Thus by an additional 1 per cent., compounded semi-annually, added to the rate of interest (which may not exceed 6 per cent.) the mortgage will be entirely "killed off" in thirty-three years; and there is nothing to prevent earlier payment—after five years—or sale to another party, subject to the mortgage.

This elaborate, ingenious and somewhat tiresome machinery should provide a large degree of safety; but some comments are in order.

APPRAISALS are best made always by persons who will be out of pocket if they are wrong! Such appraisers will be conservative.

Appraisers who are Government officials have the defects of that class—they are liable to become perfunctory and careless. It is true that, owing to the method of the National Farm Loan Association organization, each man in the association is apt to suffer if his neighbor defaults, and there will be something of a check upon optimistic appraisals; but the danger remains.

The greatest merits of these bonds have yet to be mentioned. They are completely tax exempt and they are declared to be "instrumentalities of the United States Government." There is no equivocation in the tax exemption; but it has been pointed out that "instrumentalities of the Government" is a very hazy sort of designation and that, in any case, it does not mean "obligations" of the United States. This is perfectly true. None of these bonds are obligations of the United States. The United States could never be sued to recover on them in case of default. That is true of Liberty bonds also; but then, Liberty bonds are a promise to pay on the part of the United States and Farm Loan bonds are not. One cannot sue a sovereign State.

The great strength of these bonds is in the implied moral—not legal—responsibility of the United States. It is true that a future Congress might take action which would impair the validity of these bonds and undo some of the favorable action of the past; but the person who can conceive of any Congress deliberately attacking legislation favorable to the farmers must have a very vivid imagination.

The weakness of Federal Land Bank bonds, considered purely on

the ground of the security offered, is that loans may be made loosely. Bureaucrats are not famous for efficiency. The opposition of the "dirt farmers" effectively excluded all persons from direction of the Federal Farm Land Banks who should have any banking or real estate connections—the very things which make them well qualified to act. This must result in the creation of a body of political appointees. Moreover, the vast extent of territory in each Federal Land Bank district is such that neighborhood acquaintance with actual conditions becomes impossible. Joint Stock Land Banks may choose the territory in which they will work and more than one such bank may operate in the same territory, thus insuring competition. Indeed, the Joint Stock Banks were deliberately planned to be competitive with the Federal Land Banks as well as with one another.

Certain differences between the two types of bank must be noted.

The Federal Land Banks are directly a department of the Farm Loan Board, their capital being guaranteed by the latter, though at present the Government owns but a small share of the stock of the banks. Joint Stock Banks are run entirely with private capital.

The Federals may make loans of 20 times capital and surplus, the Joint Stocks of but 15 times. Single loans of the former may not exceed $25,000, of the latter $50,000, or 15 per cent. of capital and surplus. A borrower from a Federal bank must pay out 5 per cent. of the face of his loan for stock, but there is no such requirement by Joint Stock Banks. The borrower gets the full amount of his loan less only expenses of title searching, and appraisal, which expense is from ½ per cent. to 1 per cent. of the loan.

The stockholders of Joint Stock Banks may be any natural persons. They are not limited to those desiring loans and owning farms. In consequence stockholders are usually country bankers, real estate men and others familiar with farm conditions who hope to make money because of their knowledge. There is no more incentive to these men to make or permit careless appraisals than there is to life insurance companies. Appraisers of Joint Stock Banks, while necessarily public officials, are usually chosen by the Joint Stock Banks and then appointed; at least such is the claim of these banks.

Amortizations are common to the two classes of banks and follow the same procedure. The powers of the two classes are practically identical.

While the Joint Stock Banks may make loans to any one, and not necessarily for purely agricultural purposes, yet, in practice, they follow much the same procedure as the Federal Land Banks.

There are but twelve Federal Land Banks and the number of Joint Stock Banks is practically unlimited.

It is not important or helpful to go into any elaborate analysis of further differences or likenesses, or to try to estimate which of the two classes is more likely to be prosperous and stable. The Federals have whatever merit comes from being part of a Government bureau, and also from their apparent joint and several responsibility for loans; but what this will amount to in practice only time can tell. Joint stocks have whatever advantage lies in more freedom of action, choice of territory and independent business opportunities. In 1923 the Joint Stocks wrote more business than the Federals.

The investor is not greatly interested in splitting hairs nor in unraveling the unspeakably tedious details of the Farm Loan act; but, if he is to be at all intelligent about his investments in Farm Loan bonds, he must discriminate a little. When he invests in straight Government bonds, while these are mere promissory notes, he knows that the whole credit, faith and resources of the United States are behind them. When he buys Farm Loan bonds, he may trust in the implied moral responsibility of the Government—and this may prove to be of considerable value—but he cannot flatter himself that these are Government obligations.

What then is the essential security? We have said in a previous article that urban real estate bonds, collateral trusts on first mortgages, assigned over to an independent trustee, were in so far sound, worthy of being considered equivalent to first mortgages, provided the mortgages deposited as security were sound. The same thing may be said of Farm Bonds, which are altogether collateral in character, the collateral being constantly subject to substitution and change. Provided that appraisals are moderate there could be little better security; but we cannot forget that valuations are exceedingly high at present and that farm lands may decrease in value.

The average value per farm of farm property in the United States varied little in the half century from 1850 to 1900, averaging about $3,400. There was a sharp rise in 1910 to $6,400 and another in 1920 to $12,000. Just how much of this increased value was due to a fall in the purchasing power of money it would be difficult to say. Some of the difference may be due to concentration in fewer hands, but it is only fair to add that only twice in the seventy years indicated have there been decreases, in 1870 and 1880, and in neither of those periods was the decrease more than 10 per cent. A 10 per cent. decrease from present valuations should affect the security of farm loan bonds not at all. Barring an agricultural depression of a totally unprecedented kind and, further, a very great mismanagement of the organization selling farm loan bonds, the security of such bonds should be ample.

IT is significant that life insurance companies are beginning to write longer term mortgages and to amortize them in the same fashion as farm loan bonds.

The distrust of these farm loan bonds shown by many dealers in regulation bonds, whether Government, railroad, utility or industrial, is not unnatural, since it is mainly due to a dislike of the machinery and to a perfectly justified aversion to the implication that they are "obligations" of the United States; but all this should not blind them to the obvious fact that the Government is in a very practical sense behind the bonds, and that, in spite of inevitable croppers which some of the banks must take, they will probably work out satisfactorily in the end.

The greatest thing to fear is the essential dishonesty of bureaucratic bookkeeping. The Post Office Department is a venerable and useful institution, but if it has ever issued a statement of its affairs as honest as those of our railroads and better industrials, the writer does not know of it. It has never estimated its capital expenditure, overhead and depreciation as a business organization should, and some reformer may make this possible some day, but we have never heard that any one has questioned the value of the two-cent stamp he puts on his letter.

"Standard forms of investment based upon farm mortgages" have been created and a field of investment has been opened to the general public which was formerly enjoyed only by dealers and by insurance companies. The different land banks and joint stock banks must be judged on their merits, though the practice of making joint loans, guaranteed by all twelve land banks, really destroys the value of the individual record in this case. Joint stock banks must be more carefully examined, but, since the Government backing is the principal asset of all these organizations, and since there are really first mortgages deposited and assigned as collateral for the bonds, there is less need for discrimination than there would be in the general business field or even in the field of national banking.

The Export of Skilled Labor From Britain

Serious Position in Some Industries —Ominous Outlook For The Future

By F. C. CHAPPELL

Special Correspondence of The Annalist

LONDON, Jan. 5, 1924.

IT is estimated by the Labor Department of the Government that English industry employing skilled artisans is fully one million short of trained mechanics, and that number is quite irrespective of the many thousands of skilled operatives who have emigrated to the United States and other countries during the last five or six years. It is a subject which is not as yet touched upon in the English press nor is it alluded to frequently by public speakers on industrial questions; but it is a serious menace to British trade in the near future. It should be remembered that for seven years during and after the war the training of apprentices was almost at a standstill, and this fact contains possibilities of great difficulty in the future. You cannot make a really skilled mechanic in a few months, and several years of practical training and experience are requisite to equip a thoroughly competent operative in the skilled trades. It is estimated that the normal flow of lads into industry in the United Kingdom is probably about six hundred thousand a year, of whom about one quarter would ordinarily enter trades and occupations where they would receive some form of training as skilled operatives. During the war many boys were attracted into occupations where wages were relatively high (munitions works, &c.), where they were employed on routine unskilled operations, and received no training. Many of these are now unemployed and are adding to the already large number of unskilled labor. We have, as I have already stated above, not only not been training skilled men, but for years past we have been exporting some thousands of the most competent men to the United States where their skill has been welcomed with open arms.

The principal of one of our leading technological institutions and a leading authority on technical education in Europe, recently stated that one result of this condition of affairs has been to reopen the question of apprenticeship. We shall probably see, he says, some very definite steps taken in the matter of reintroducing some type of bona fide apprenticeship in the British engineering industry. This is quite as necessary from the point of view of the industry as it is for the workers if we are going to perpetuate the existence of the fully skilled craftsman. This is now threatened at every point in the modern mass production system. "There is now," adds this authority, "quite a dearth of the fully skilled engineering workman in America. He is being much sought after in this country and persuaded to emigrate, but we in England have not enough ourselves to go round, and unless something is done the position in ten or fifteen years' time will be a serious one for the industry."

Speaking on the same subject the President of the Amalgamated Engineering Union points out that the skilled mechanics we are yearly sending to the United States will become formidable competitors with us in the near future. It was, he said, well known to those who had any knowledge of the engineering industry in the United States that the American engineer and machine builder did not train his skilled workmen as British employers did. "Apprenticeship was something unknown in the United States, the custom being to draw skilled mechanics from other countries and from England in particular. He computed that the capitalized value of a skilled engineer of 23 years of age was about £10,000, and we are making a present of that value to America and are getting nothing in return."

In consequence of the largely reduced program of warship building, consequent on the Washington Treaty, several towns in England who depend upon this special class of work, are finding it very difficult to carry on, one of the leading armament centres, namely, Barrow-in-Furness, being on the verge of bankruptcy, and large numbers of its skilled operatives are leaving for Canada and the United States. This represents the emigration of our best men. They are going where they know work is likely to be found, although not necessarily in warship construction; but they will manufacture articles which will be sent over to compete with us.

The depression in the shipbuilding and engineering trades have undoubtedly been a main contributory cause of the present difficulty. Up to recent years we have not had any pronounced lack of highly-skilled artisans, in spite of the restrictions placed by the trade unions in the matter of apprentices with the object of maintaining wage rates by preventing the number of journeymen from exceeding the demands of the various trades. In some of the shipbuilding and engineering trades this policy has been carried so far that the proportion of apprentices to journeymen is now much too small—so small that, as I have pointed out, there will be a marked decrease in the number of skilled men available for everyday work.

Quite apart from these factors there are also other causes at work to occasion anxiety, all pointing to the conclusion that there will be a marked scarcity of artisans long before the majority of those who are now apprentices have become journeymen. There are today relatively few lads entering upon training as engineering or ironworking artisans, partly because they are not required by employers, and partly because the inducements offered in cases where there are openings are not sufficiently attractive. For instance, the youth who is choosing a career, looks further ahead than the start or the period of apprenticeship, and he sees in the distance a time when, after serving five or six years at a low rate of pay, he will, as a fully qualified tradesman, be earning no more than many unskilled men in other occupations—such as men in municipal occupations, the police force, and so on. Many of these are better paid than skilled artisans, although they have served no long period of apprenticeship; and, what is of equal or greater importance, they have no broken time, their holidays are paid for, they have absolute security of employment, and they are free from the fluctuations of the labor market. He therefore sees no reason why he should spend a number of years equipping himself for unremunerative work when he can reach a better wage sooner by engaging in semi-skilled or unskilled labor. The engineering and shipbuilding trades will feel the pinch of skilled men in a few years' time should there be a real revival then in industry.

BUT there is a greater question involved than appears on the surface. It is the question of the disparity in wages in the skilled and unskilled industries, and which, if it is allowed to continue, will denude this country eventually of her skilled and highly trained artisans, the very men who by their mechanical skill and ability have helped so largely to build up British industries. This is a matter of practical, every-day importance. Large numbers of trained men who have acquired years of experience in the machine shops and in our shipyards have now turned their attention to finding work elsewhere, work which has little, if any, connection with the trade to which they formerly belonged. It is most significant, as well as deplorable, that today in Britain there is a decided drift away from the skilled trades to other occupations, and trained craftsmen can now actually be found working as public servants, attendants, hallkeepers, and even as domestic employes, doing all sorts of work where wages are steady, even if they are not always so high as the rates they previously received, but where there is continuity of employment. When we remember, too, that every week numbers of these men cross the Atlantic to America or Canada, it will readily be seen that the drain on our resources must be very great, and that the "tank must soon be empty." Most of these emigrants write home telling friends and relatives of their bettered condition, and where one man has gone two very soon follow. Very few ever return even when work may slacken in America, and they eventually become citizens of the United States, to the great impoverishment of England. No industrial country like Britain can stand this for long. These men are the salt of our industrial life, and the general level of our efficiency is being lowered to a greater extent than the mere numbers indicate. It is almost a commonplace today in England that for skill or general all-round efficiency the older men of the skilled trades are far more competent than the young men.

A decided return of prosperity would of course do much to solve the difficulties, but only partly so. What is wanted is a clear line of demarkation between the wages paid to skilled men and to the unskilled; in short, a clear distinction between trades which represent training and skill and those which do not. There are, therefore, three difficulties to contend with, and, if possible, to overcome. The first is

Continued on Page 142

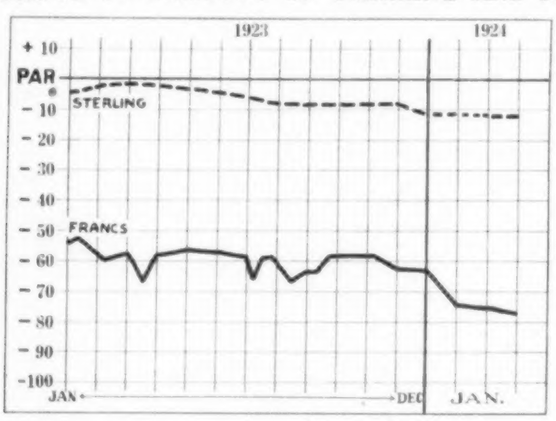
THE BUSINESS OUTLOOK

WITH the single somewhat important exception of increasing activity in iron and steel, last week's business record held little definite indication either of change in the current of business, or of the direction of whatever change, or changes, may be immediately ahead. The steel record, in which an active demand and somewhat higher prices for structural material was the chief point, tended to confirm previous prospects of great and increasing activity in construction—and construction activity is admittedly one of the strong influences for the prosperity of general business.

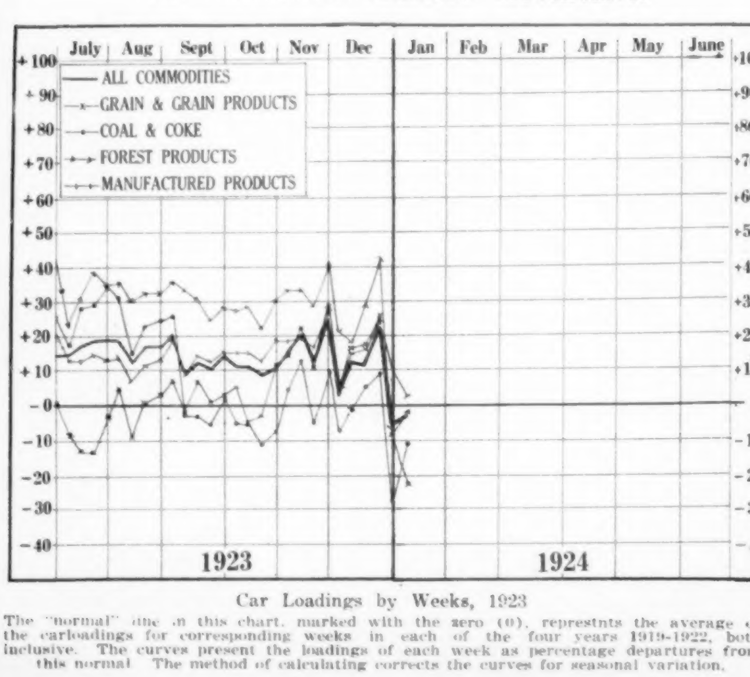
The week was not lacking in a rather wide range of events which presumably had more or less bearing on developments to come, but the trends to be deduced from those events were beyond the forecasting powers of most observers. The fact seems to be that business is still in the between-seasons stage of indecision in nearly all quarters. The mere passage of time will soon bring the necessity for definite action, and meanwhile the forecaster's outlook must be governed mainly by fundamental conditions, which are considered reasonably favorable.

Market developments last week, as most observers appear to read them, recorded the action of mainly temporary, and to some extent sentimental, forces. The New York stock market, for example, which toward the close of week before last had begun to show a downward trend, began last week with a still more rapid decline. It appeared to be affected considerably by the marked fall of both sterling and French francs, though under the circumstances the influence of that fall was nowhere accounted other than sentimental. The drastic remedial measures proposed by the French Premier on Tuesday turned the tide of sentiment, and for that and other reasons the market recovered in the middle of the week, only to fall off again toward the close. The cotton and other markets largely followed the fluctuations of stocks, though, particularly in the case of cotton, there were independent causes for the changes. The stock market changes appear to reflect the consequences of the waning of the "January money" mood of enthusiasm. Bonds, which in general represent permanent investment, are firm. In the normal course of events for this time of the year

THE RANGE OF DISCOUNT ON STERLING AND FRANCS



THE NATIONAL FREIGHT MOVEMENT.



Car Loadings by Weeks, 1923

The "normal" line in this chart, marked with the zero (0), represtnts the average of the carloadings for corresponding weeks in each of the four years 1919-1922, both inclusive. The curves present the loadings of each week as percentage departures from this normal. The method of calculating corrects the curves for seasonal variation.

> There have been omitted from this issue of The Annalist records of transactions on the New York Stock Exchange and the exchanges of other cities. In future, monthly records will be published. Such presentation, it is believed, will meet fully the statistical needs of our readers.

stocks should be rather unstable until the approach of Spring brings the development of definite trends in general business; their fluctuations are likely to be in the main the results of professional trading until such time as the appearance of a marked upward industrial trend brings a strong buying public into the market.

Trade in general continues exceedingly moderate and decidedly "spotty," but with some signs of buyers' interest in Spring lines. Unseasonably mild weather in most parts of the country has checked, until within the last week or ten days, the usual buying of heavy clothing and footwear. This lack of expected demand has been in part remedied, in the West and South, by colder and wetter weather, but the gain is small, and comes too late to make up for much of the lost selling. A result is curtailment of production in several directions, and in not a few places excessive stocks of woolens. Buying now, as for many months past, is evidently for immediate needs, and offers, in the general merchandise field, no inducement for manufacturers to go ahead of the visible demand.

What some observers consider an indication of the attitude of the buying public is the slow selling of finished cottons which is credited with having been one of the strong depressing influences which broke the price of cotton toward the end of the week. The failure of new business in dry goods to expand as was hoped for represents the resistance of buyers (who represent their own view of the attitude of the general public) to prices for finished cottons which are in due proportion, from the manufacturers' standpoint, to the high cost of the raw material.

The cotton situation is considered a particularly interesting exam-

MONEY

	Call Loans.	Time Loans 60-90 Days.	6 Months.	Com. Dis. 4-6 Months.
Last week	5 @4	4¾	4¾	5 @4¾
Previous week	4¾@3¾	5 @4¾	5 @4¾	5 @4¾
Year to date	5¾@3¾	5 @4¾	5 @4¾	5 @4¾
Same week, 1923	4 @3½	4¾@4½	4¾@4½	4¾@4¼
Same week, 1922	6 @3½	5 @4½	5 @4½	5 @4¾

BANK CLEARINGS.

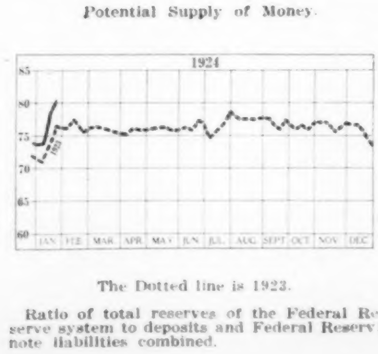
Entire country, estimated from complete returns from cities representing 92.3 per cent. of the total. Percentages show changes from preceding years:

	1924.	P. C.	1923.	P. C.
Last week	$8,159,703,000	— 3.2	$8,422,000,000	+16.2
Previous week	7,700,740,000	— 4.8	8,074,000,000	+ 9.1
Year to date	23,923,137,000	— 5.6	25,269,000,000	+14.3

BAR GOLD AND SILVER.

	Bar Gold in London.	Bar Silver in London.	Bar Silver in N. Y.
Last week	97s 05d@ 96s 09d	33⅜d @33⅛d	63¼c@62¾c
Previous week	96s 05d@ 95s 10d	33 11/16d @32 13/16d	64⅝c@62¾c
Year to date	97s 05d@ 95s 10d	34 1/16d @32 13/16d	64⅝c@62¾c
Same week, 1923	89s 09d@ 88s 08d	32½d@31⅞d	67⅛c@65½c
Same week, 1922	98s 00d@ 97s 06d	35⅛d@34⅞d	65⅞c@65c

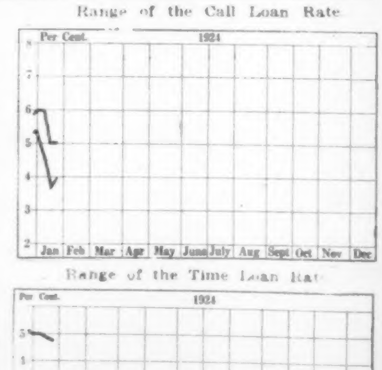
Potential Supply of Money.



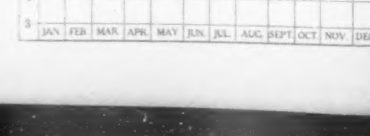
The Dotted line is 1923.

Ratio of total reserves of the Federal Reserve system to deposits and Federal Reserve note liabilities combined.

Range of the Call Loan Rate



Range of the Time Loan Rat



ple of the contradictions which exist at several points in the business structure, for the fall in the price of cotton last week occurred in the face of conditions which some seasoned observers of that particular market feel should soon lead to higher prices for the raw material, and will present to the public the alternatives of high-priced cotton cloths or no cloths. The world shortage of American cotton remains as actual and marked as it was three months ago. Consumption by spinners in December was larger than the trade had expected. Exports in that month reached a total of 845,581 bales—the largest in any month for more than a year past, and 280,000 bales more than in December, 1922. In the price decline of last week some small part was taken by reports that English spinners would curtail production. The mostly unspoken inference was that manufacturers would not produce because the public could not or would not buy at the necessary high prices for the finished goods. The outcome of such a stalemate was apparently not formulated.

Some light on the outcome of such a position of public versus manufacturer may be derived from the wool situation, in regard to which those best informed are calling attention to the fact that wool production is less than current wool consumption, while the surplus world stocks which piled up in producing countries during the war have been practically used up, and an actual shortage is plainly in sight. The process of catching up with the post-war surplus was prolonged by the fact that the United States was the only country in which wool manufacture proceeded at a normal rate. Now, however, only a comparatively small reserve of Australian wools stands between consumption and under supply.

The prospective situation for this country is not without elements of interest for both the public and the manufacturer. We import more than half of the raw wool we use. Domestic producers have shown a clear sense of the opportunity to get higher prices through their pooling operations. They will produce more when the world shortage has raised prices to the point where it will pay them to produce more. The world supply can of course be increased within a few years, and would be, provided the prospect of continued high prices seemed sure enough to "bank on." Meanwhile, however, the price of wool must go materially higher than it now is to provide this assurance, and to bring forward increased supplies. The wool growers are perhaps the only American producers in the agricultural world who are directly benefited by our present tariff. If the trade commentators who say that the full effect of the wool duties will not be evident until next Fall are right, we must wait yet a little for the time when higher priced woolens and higher priced cottons are to fight out the balance between them in the estimation of the ultimate consumer. Either way, however, the prospect of lower prices, or even of present prices, for the two chief classes of textiles may perhaps be accounted rather dubious. A definite and determined advance in both classes might have some interesting results on the dry goods trade.

Among the fundamental conditions accounted favorable, that of an ample supply of money at moderate rates was emphasized anew by last week's statement of the Federal Reserve System. Reserve note circulation, again lowered, reached the lowest total since June, 1918. The reserve ratio, at 80.1, was the highest since August, 1921; and represented an increase of 6⅞ per cent. thus far in the month, against a 4 per cent. increase at this time last year. The total reduction in rediscounts since the end of December has been practically double the decrease in the corresponding period last year.

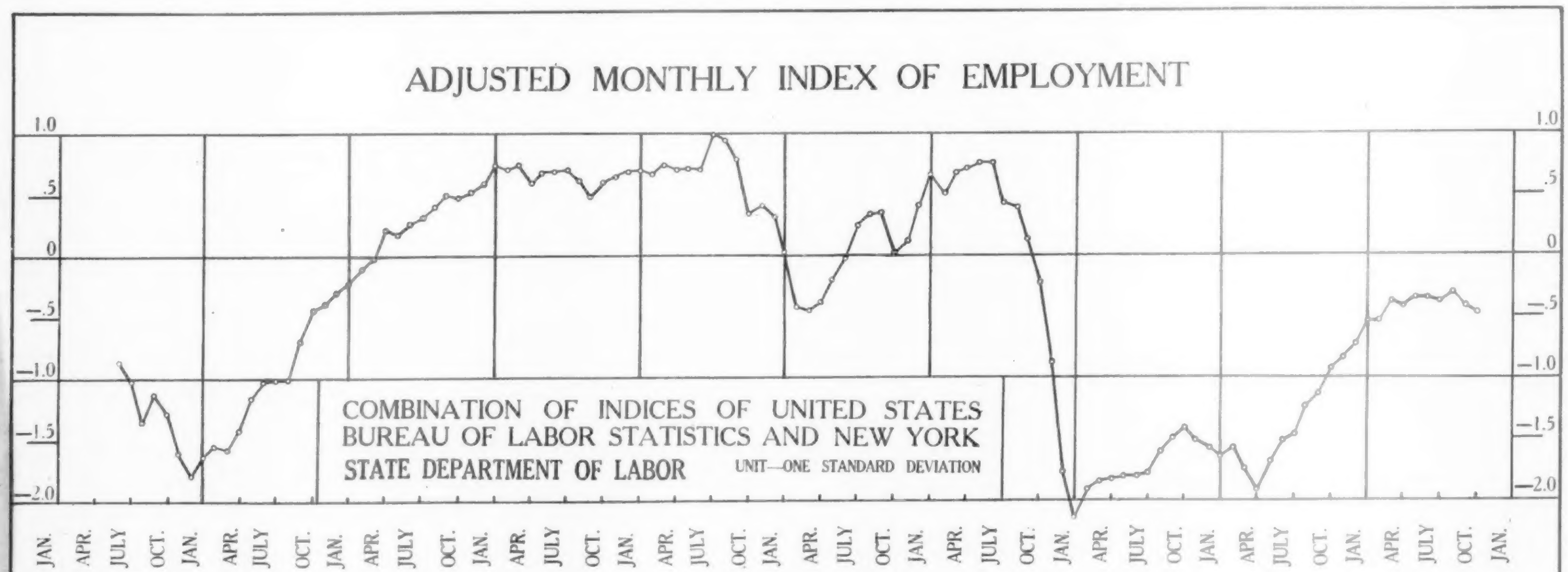
It was presumably this plethora of resources, and the desire to conciliate that body of opinion which would have the abnormal excess of our gold stock removed from domestic credit calculations as a discouragement to inflation, which caused the Reserve Board to specify the sum of the gold redemption fund and that in Reserve agents' hands as "gold held exclusively against Federal Reserve notes" and therefore, by inference, not to be considered available for credit expansion. The device is interesting as an indication of the fear in various quarters that our excess of gold will lead us into perilous inflation despite all warnings: its effectiveness appears not to be rated especially high. The gold is there, and cynical observers believe that something more than and different from labels would be required to prevent its use as a credit base if the demand for such use of it were insistent.

But that a broad service to the world is also involved in the safeguarding of our huge gold reserves is explained by Paul M. Warburg, whose knowledge and authority as an international banker give his words peculiar weight. In commenting, two days before the Reserve System's report was published, on some results of the downward slide of the exchanges, Mr. Warburg made clear an aspect of our gold reserve which might well have been adopted and expressed by the Reserve Board.

"It is interesting to observe," said Mr. Warburg, "that many leading central banks, and some of the newly-born note-issuing banks, are now using their cash balances in the United States or dollar acceptances as their principal or secondary gold reserves. Thus our vast gold treasure has begun to serve as the fundamental basis not only for our own currency and credit structure, but also for that of other countries. This condition is likely to prevail in an increasing measure in coming years, and it will, therefore, be all the more important to keep our gold reserves high.

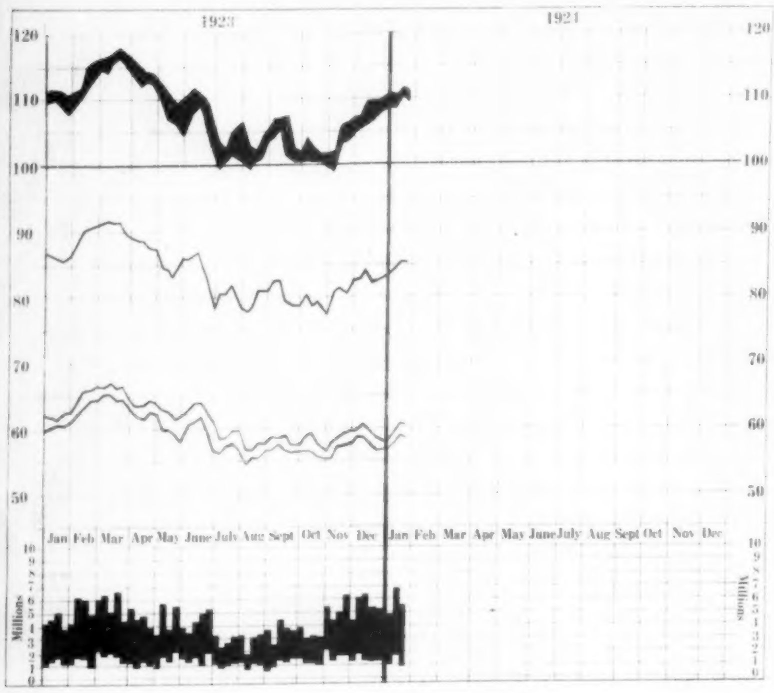
"If the world is ever to return to a fairly normal state of things, it must be permitted, in one form or another, to regain the facility of using as the basis of its financial structure that share of Uncle Sam's excess ownership of gold that is a luxury and danger to him and a necessity for others. We must learn to consider our gold as the gold reserve, not only of the United States, but of practically the entire world, and we must administer it with that fact in our minds."

In another direction, that of the general commodity price situation, fundamental conditions are also generally favorable to the business outlook. There is little serious weakness in important markets, and, as a result of the adjustments which have been in progress since the middle of last Summer, disparities of price have been in a considerable measure corrected until the price structure as a whole has become reasonably sound. Last year's fluctuations in the general price level had a range of about 6 per cent. and were smaller than in any other year since the war. In the boom of last Spring the price divergence between building materials, metals and textiles on one side and goods and farm products on the other was increased by advances in the first-named group, and declines in the second. Other commodities shared in the relative dislocation. The following decline in prices, which came to an end substantially in August, affected, though unequally, both the groups named. In September there was a 3 per cent. advance in the general price level, but it required the remainder of



The Annalist's Employment Curve, above, shows the deviation from normal of the actual volume of employment throughout the country at the end of each month. The curve is constructed in accordance with the methods and principles devised by Projessor William A. Berridge of Brown University and published in the report of the President's Conference on Unemployment in 1921.

THE RANGE OF STOCK MARKET AVERAGES.



In the upper portion the black line shows the closing average price of fifty stocks, half industrial and half railroads. The black area shows for each week the highest and lowest daily average price of the twenty-five industrials, and the white area the corresponding figures for twenty-five rails. In the lower portion the height of the black area shows total weekly volume of sales, and the height of the white area beneath it the weekly volume of the fifty stocks used in the preparation of this chart.

Shares Sold on New York Stock Exchange

Week Ended Jan. 19, 1924.

	1924	1923	1922
Monday	1,184,149	1,177,700	778,319
Tuesday	955,566	957,550	729,350
Wednesday	929,557	777,545	863,171
Thursday	1,177,264	875,432	776,559
Friday	836,585	945,400	1,139,175
Saturday	454,960	341,400	522,865
Total for week	5,538,081	5,075,027	4,809,439
Year to date	15,753,980	14,268,567	11,184,013

TWENTY-FIVE RAILROADS.

	High	Low	Last	Net Change	Same Day Last Year
Jan. 14	59.97	58.98	59.18	— .79	61.44
Jan. 15	59.70	58.88	59.34	+ .16	60.95
Jan. 16	60.21	59.39	59.97	+ .63	60.82
Jan. 17	60.39	59.80	59.96	— .01	61.01
Jan. 18	60.41	59.81	59.98	+ .02	61.56
Jan. 19	60.15	59.84	59.95	— .03	61.49

TWENTY-FIVE INDUSTRIALS.

	High	Low	Last	Net Change	Same Day Last Year
Jan. 14	111.22	109.47	109.80	—1.40	109.79
Jan. 15	110.27	109.17	109.66	— .14	108.68
Jan. 16	110.65	109.76	110.25	+ .59	108.89
Jan. 17	110.90	109.78	110.06	— .19	109.90
Jan. 18	110.59	109.74	110.05	— .01	109.74
Jan. 19	110.51	109.98	110.33	+ .28	109.52

COMBINED AVERAGE—50 STOCKS.

	High	Low	Last	Net Change	Same Day Last Year
Jan. 14	85.59	84.22	84.49	—1.09	85.61
Jan. 15	84.98	84.02	84.50	+ .01	84.81
Jan. 16	85.43	84.57	85.11	+ .61	84.85
Jan. 17	85.64	84.79	85.01	— .10	85.45
Jan. 18	85.50	84.77	85.01	....	85.65
Jan. 19	85.33	84.91	85.14	+ .13	85.50

YEARLY HIGHS AND LOWS.

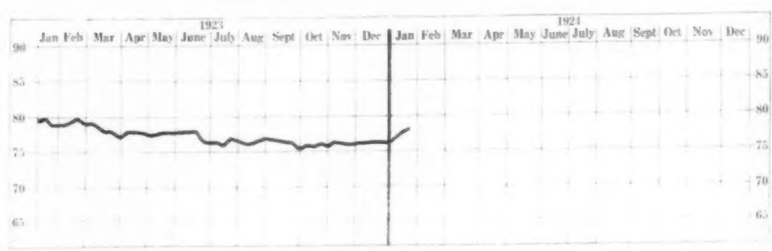
	High	Low		High	Low
*1924	86.16 Jan.	83.28 Jan.	1918	80.16 Nov.	64.12 Jan.
1923	92.52 Mar.	77.15 Oct.	1917	90.46 Jan.	57.47 Dec.
1922	93.06 Oct.	66.21 Jan.	1916	101.51 Nov.	80.91 Apr.
1921	73.13 May	58.35 June	1915	94.13 Oct.	58.90 Feb.
1920	94.07 Apr.	62.70 Dec.	1914	73.30 Jan.	57.47 Dec.
1919	99.59 Nov.	69.73 Jan.	1913	79.25 Jan.	68.00 June

*To date.

the year to bring about further adjustments and price stabilizations. Weakness persisted for some time in pig iron, copper, petroleum, wheat, wool, and leather, but by the end of the year advances in most of these produced substanial stability. Copper, perhaps, gained least, the present price showing a tendency to fall off from the earlier apparent stabilization at 13 cents a pound.

On the whole, however, the grosser disparities in the general price structure have been smoothed out, and this improvement increases the probability and the practicability of more active general business, with the accompanying likelihood of some further advance in the general price level. Proper relation of prices, rather than the absolute level, is the more important to business progress, assuming, of course, that the general level is not excessive in relation to general purchasing power. One important feature in the present price structure is the continuing gap between the price of building materials and the price of commodities in general. The general level is about 50 per cent. above the pre-war level, while building materials are about 80 per cent. above it. One of the problems of the immediate future is

THE TREND OF BOND PRICES.



Average of Forty Issues.

Par Value Sold on New York Stock Exchange

Week Ended Jan. 19, 1924.

	1924	1923	1922
Monday	$16,547,950	$10,141,000	$16,979,200
Tuesday	14,038,100	11,858,450	15,996,300
Wednesday	14,232,750	13,415,300	15,825,500
Thursday	15,099,950	11,497,000	14,838,300
Friday	13,843,600	12,043 350	13,743,700
Saturday	9,254,950	6,335,000	10,094,600
Total for the week	$83,017,300	$65,290,100	$87,477,600
Year to date	219,697,825	191,339,650	300,428,900

In detail the bond dealings compare as follows with the corresponding week last year:

	Jan. 19, 1924	Jan. 20, 1923	Change
Corporations	$49,110,500	$37,495,500	+$11,615,000
United States Governments	23,158,800	15,093,600	+ 8,065,200
Foreign	10,697,000	12,620,000	— 1,923,000
City	51,000	81,000	— 30,000
Total all	$83,017,300	$65,290,100	+$17,727,200

	Last Week	Same Week Last Year	Year to Date	Same Period Last Year
Average net yield of 10 high-priced bonds	4.665%	4.587%	4.665%	4.594%
New security issues	$151,744,000	$232,276,000	$246,710,000	$269,297,000

AVERAGE 40 BONDS.

	Close	Net Change	Same Day 1923		Close	Net Change	Same Day 1923
Jan. 14	78.33	+ .11	78.96	Jan. 17	78.23	— .01	78.55
Jan. 15	78.29	— .04	78.66	Jan. 18	78.08	— .15	78.70
Jan. 16	78.24	— .05	78.44	Jan. 19	78.21	+ .13	78.67

YEARLY HIGHS AND LOWS.

	High	Low		High	Low
*1924	78.33 Jan.	76.95 Jan.	1918	82.36 Nov.	75.65 Sep.
1923	79.43 Jan.	75.58 Sep.	1917	89.47 Jan.	74.24 Dec.
1922	82.54 Aug.	75.01 Jan.	1916	89.18 Nov.	86.19 Apr.
1921	76.31 Nov.	67.56 June	1915	87.62 Nov.	81.52 Jan.
1920	73.14 Oct.	65.57 May	1914	89.42 Feb.	81.42 Dec.
1919	79.05 June	71.05 Dec.	1913	92.81 Jan.	85.45 Dec.

*To date

FOREIGN GOVERNMENT SECURITIES.

	Last Week	Previous Week	Year to Date	Same Week 1923
British Cons. 2½s	55⅛@ 54⅝	55⅛@ 55	55⅝@ 54⅝	56¾@ 56½
British 5%	99¼@ 98⅝	99⅜@ 99	100⅛@ 98⅝	100¾@100⅜
British 4½s	96¼@ 96	96¾@ 96¼	96¾@ 96	95½@ 95¼
French rentes (in Paris)	54.95@ 52.35	54.50@ 53.05	55.10@ 52.35	58.90@ 58.75
French W. L. (in Paris)	71.00@ 67.00	70.10@ 69.15	71.00@ 67.00	76.25@ 75.85

FOREIGN AND DOMESTIC EXCHANGE RATES

New York funds in Montreal were quoted at $29.06@$23.43 premium. Montreal funds in New York were quoted at $22.90@$28.24 discount.
The week's range of exchange on the principal foreign centres last week compared as follows:

Normal	Exchange	DEMAND. Last Week. High	Low	Prev. Week. High	Low	Year 1924. High	Low	Same Wk. 1923. High	Low	CABLES. Last Week. High	Low	Prev. Week. High	Low	Year 1924. High	Low	Same Wk. 1923. High	Low
4.8665	—London	4.26⅜	4.22¼	4.31⅝	4.26¼	4.31⅝	4.22¼	4.67¼	4.63½	4.26⅝	4.22½	4.31⅞	4.26½	4.31⅞	4.22½	4.67½	4.63¾
19.28	—Paris	4.72½	4.27	5.01½	4.63	5.04½	4.27	6.91	6.48	4.73	4.27½	5.02	4.63½	5.05	4.27½	6.91½	6.48½
19.28	—Belgium	4.26½	4.05	4.34	4.18	4.47½	4.05	6.23½	5.91	4.27	4.05½	4.34½	4.18½	4.48	4.05½	6.24	5.91½
19.28	—Switzerland	17.30	17.26	17.39	17.32	17.44	17.26	18.82	18.58	17.32	17.28	17.41	17.34	17.46	17.28	18.84	18.60
19.28	—Italy	4.48¾	4.35½	4.39½	4.29	4.48¾	4.26¼	4.94½	4.70	4.49¼	4.36	4.40	4.29½	4.49¼	4.26¾	4.95	4.70½
40.29	—Holland	37.40	36.82	37.76	37.44	37.84	36.82	39.60	39.50	37.44	36.86	37.82	37.48	37.88	36.86	39.65	39.55
19.30	—Greece	2.10	2.02	2.05	1.96	2.13	1.96	1.40	1.28	2.10	2.02	2.08	1.99	2.16	1.99	1.43	1.31
19.30	—Spain	12.85	12.68	12.83	12.75	12.85	12.68	15.69	15.53	12.87	12.70	12.85	12.77	12.87	12.70	15.71	15.55
26.28	—Denmark	17.42	16.68	17.52	17.43	17.70	16.68	19.76	19.30	17.44	16.70	17.54	17.45	17.72	16.70	19.78	19.32
26.80	—Sweden	26.25	26.04	26.40	26.30	26.44	26.04	26.97	26.85	26.28	26.07	26.42	26.32	26.46	26.07	26.99	26.87
26.80	—Norway	14.22	14.08	14.42	14.31	14.45	14.08	18.68	18.48	14.24	14.10	14.44	14.33	14.47	14.10	18.70	18.50
51.41	—Russia*	.02¾	.02¼	.12	.07	.12	.07	.02½	.02⅛	.09	.07	.12	.07	.12	.07	.12½	.07
48.66	—Bombay	30.46	30.18	30.68	30.18	30.75	30.18	31.62	31.38	30.58	30.30	30.80	30.30	30.87	30.30	31.75	31.50
48.66	—Calcutta	30.46	30.18	30.68	30.18	30.75	30.18	31.62	31.38	30.58	30.30	30.80	30.30	30.87	30.30	31.75	31.50
78.00	—Hongkong	50.50	50.25	50.88	50.38	51.00	50.25	53.75	53.25	50.62	50.37	51.00	50.50	51.12	50.37	53.875	53.875
....	—Peking	74.50	74.00	76.00	74.00	76.00	74.00	77.50	76.75	74.62	74.12	76.12	74.12	76.12	74.12	77.625	76.875
108.82	—Shanghai	70.13	69.88	70.63	70.00	71.63	69.88	73.13	71.88	70.25	70.00	70.75	70.12	71.75	70.00	73.25	72.00
49.83	—Kobe	46.13	43.28	44.68	43.96	46.13	43.28	48.69	48.62	46.25	43.40	44.80	44.08	46.25	43.40	48.81	48.75
49.83	—Yokohama	46.13	43.28	44.68	43.96	46.13	43.28	48.69	48.62	46.25	43.40	44.80	44.08	46.25	43.40	48.81	48.75
50.00	—Manila	50.00	50.00	50.00	50.00	50.00	50.00	50.375	50.375	50.12	50.12	50.12	50.12	50.12	50.12	50.625	50.625
42.44	—Buenos Aires	33.00	32.50	32.75	32.00	33.00	31.75	37.75	37.10	33.10	32.60	32.85	32.10	33.10	31.85	37.80	37.15
33.35	—Rio	11.00	10.50	11.50	10.80	11.50	9.80	11.60	11.45	11.00	10.50	11.55	10.85	11.55	9.85	11.65	11.50
23.83	—Germany †	4,348	4,348	4,348	4,348	4,348	4,348	.0083	.0042	4,348	4,348	4,348	4,348	4,348	4,348	.0083	.0042
20.46	—Austria	.0014⅛	.0014	.0014⅛	.0014⅛	.0014⅛	.0014	.0014⅝	.0014½	.0014⅛	.0014	.0014⅛	.0014⅛	.0014⅛	.0014	.0014⅝	.0014½
23.83	—Poland	.000014	.000012	.000016	.000010	.000018	.000010	.0049	.0033	.000014	.000012	.000016	.000010	.000018	.000010	.0049	.0033
26.26	—Czechoslovakia	2.91½	2.91	2.91¼	2.90¼	2.91½	2.90¼	2.81	2.79	2.91½	2.91	2.91¼	2.90¼	2.91¼	2.90¼	2.89	2.71
19.30	—Yugoslavia	1.16	1.13¼	1.12⅝	1.12¼	1.16	1.12¼	1.04	.70	1.16	1.13¼	1.12⅝	1.12¼	1.16	1.12¼	1.04	.70
19.30	—Finland	2.51½	2.51	2.52	2.48½	2.52	2.47½	2.49	2.48	2.51½	2.51	2.52	2.48½	2.52	2.47½	2.49	2.48
19.30	—Rumania	.50½	.50	.50¾	.50¼	.52	.50	.56	.52	.50½	.50	.50¾	.50¼	.52	.50	.56	.52
20.31	—Hungary	.0039	.0035	.0052	.0035	.0052	.0035	.04	.03⅞	.0039	.0035	.0052	.0035	.0052	.0035	.04	.03⅞

*The figures given under "demand" are offered and big prices for 500-ruble notes, while those under "cables" are the 100-ruble notes.
†Value of $1 in millions of marks.

whether the expansion of construction with the arrival of Spring will boost the price of building materials still higher, and perhaps initiate another dislocation of the price structure like that which developed early last year.

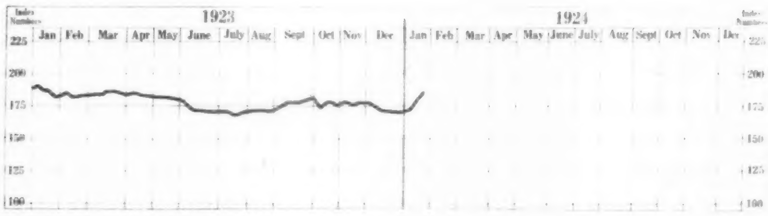
Freight car loadings for the week ending Jan. 5, reported last week, were at a low level, which apparently had some adverse effect on the price of railroad stocks in the New York market, and which therefore deserves a word of comment. Total loadings for the week, at 703,948 cars, showed a gain of 87,838 cars over the preceding week, which saw a drop of practically 262,000 cars. The loadings for the week ending Jan. 5 showed, however, a decrease of 64,000 cars from the loadings for the first week of January, 1923.

Railroad sources hold that the record for the last two weeks reported does not furnish adequate ground for inference as to the course of traffic in the weeks to come. The great slump in Christmas week was explained as due to the occurrence of Christmas Day on Tuesday, tempting workers to take a three-day week-end holiday, and thus leading to low production and low loading. The situation was reproduced by a New Year's Day also falling on Tuesday, and the same extended week-end reasoning was applied. Whether this explanation really accounts for the figures no one can now absolutely determine; the loading record of following weeks will be required for actual revealing of the facts. Until those weeks are reported there will be considerable doubt as to what is the real level of the current business tide. The relative considerable increase over Christmas week is perhaps good ground for expecting a still greater rise for the week following, when there was no holiday break.

Among other fundamental conditions receiving a new record last week, our foreign trade was presented in totals for the whole year 1923. The record showed an excess of exports amounting to about $376,000,000. This is but a little more than half the export surplus in 1922; is the smallest since 1914, when our trade was deranged by the outbreak of the war, and compares with $691,421,000 in 1913, the last year before the war. The greater part if not all of this final export excess was due to our large shipments of very high-priced cotton, December seeing very large shipments. Total exports for that month were valued at $425,000,000, exceeding those of any other month since February, 1921. But for the accident, therefore, of our short cotton crop the record would have shown nearly a balance or perhaps a slight excess of imports. The temporary excess of imports in the first half of 1923 was attributed to the inflow of raw materials brought about by last Spring's boom. That chance might be set off against the short cotton crop, and an export balance argued from the record as so adjusted. It would in any event have been small in comparison with the years immediately preceding.

Rather sharp comment on the "complete deflation of our foreign trade" was stirred also by another event of last week, the absorption of another of our few remaining foreign trade banks, and by the related fact that several other institutions formerly active in foreign trade are understood to have greatly curtailed their operations. As a number of critics view the situation, this country is unwisely shirking

The Annalist Index of Wholesale Food Prices



(Base—Averages 1890-99=100 Per Cent.)

WEEKLY AVERAGES.

Jan. 19, 1924	**177.175**	Jan. 20, 1923	184.463
Jan. 12, 1924	176.127	Jan. 21, 1922	164.311

Yearly Averages

1923	178.000	1918	287.080
1922	186.290	1917	261.796
1921	174.308	1916	175.720
1920	282.757	1913	139.980
1919	295.607	1896	80.096
		1890	109.252

ITEMS COMPOSING THE INDEX

	Last Week	Previous Week	—Range for 1924— High	Low	—Same Week— 1923.	1922
Hogs, medium to heavy	$7.20	$7.16¼	$7.20	$6.375	$8.15	$7.75
Steers, good to choice	9.925	9.70	9.925	9.70	9.95	7.6625
Beef, salt, per 200 lbs	16.50	16.50	16.50	16.50	17.00	13.50
Pork salt, per 200 lbs	24.75	24.75	24.75	24.75	27.75	22.75
Flour, Spring patents	7.50	7.47½	7.50	7.45	8.30	8.20
Flour, Winter straights	5.90	5.95	5.95	5.85	6.925	6.20
Lard, Middle West, lb	.1305	.13175	.13275	.1305	.1185	.09925
Bacon, clear sides	.10875	.10875	.10875	.10375	.13125	.11125
Oats, No. 2 and No. 3	.474375	.45625	.474375	.4450	.4500	.361875
Potatoes, white, per bu	.825	.93	.93	.765	.5700	.1250
Beef, fresh, per lb	.1450	.095	.1450	.0950	.1350	.1250
Mutton, dressed, per lb	.1450	.1050	.1450	.1050	.1150	
Sheep, wethers, 100 lbs	8.675	8.425	8.675	8.175	8.125	6.750
Sugar, per lb	.0825	.0847½	.0880	.0825	.0690	.0485
Codfish, Georges, per lb	.0925	.0925	.0925	.0925	.0875	.0925
Rye flour	4.25	4.23¾	4.25	4.1375	5.2875	5.25
Corn meal, per 100 lbs	2.275	2.20	2.275	2.175	2.05	1.55
Rice, extra fancy, per lb	.0775	.0775	.0775	.0775	.07375	.07
Beans, medium, per bu	3.48	3.40½	3.48	3.375	4.95	*2.925
Apples, extra, per lb	.1275	.12875	.12875	.1275	.11375	.1725
Prunes, 67-70s, per lb	.0675	.07	.0725	.0675	.1075	.0975
Butter, creamery, lb	.52875	.5475	.5475	.52875	.5300	.37
Butter, dairy, per lb	.5225	.5375	.5375	.5225	.5175	.3550
Cheese, State, whole milk, per lb	.2475	.24	.2475	.2325	.2775	.2175
Coffee, Rio No. 7	.108125	.108125	.108125	.1075	.11875	.09125

the problem of maintaining its outside trade at the level necessary to prosperity at home.

President Farrell of the Steel Corporation lately declared that foreign markets for our industrial surplus production were a sharp economic necessity. The experience of other countries has been that their foreign trade is dependent in considerable measure on their maintenance of banking facilities in the countries where they sell their goods. This view was accepted in the United States during and just after the war, and the adoption of the Federal Reserve system was followed by a great expansion of branch banking in foreign countries outside of Europe. The recent contraction of world trade and the heavy risks of the uncertain exchanges have made many of these branch banks of doubtful or no profit to the parent institutions, and their operations have been curtailed, or in some instances suspended, out of regard for the interests of stockholders. Such action is quite comprehensible. But observers who realize that in spite of our immense domestic market we need the stabilizing effects of outside markets for our surplus productive capacity are concerned with the question of long-range policy in this regard. They point out that world conditions will some day become so stabilized as to make foreign banking possible, and they urge that when that time comes American interests will practically have to begin a competition with foreign banks all over again. The next period of business depression in this country, they believe, will drive home to the business world's understanding the necessity of foreign markets and the folly of the present partial abandonment of them.

WHOLESALE COMMODITY PRICES.

Commodity.	Unit.	Last Week.	Previous Week.	Week Ended Jan. 5, 1924.
Adirondack spruce, 2x4	1,000 ft.	$45.00	$46.00	$46.00
Antimony (Asiatic), N. Y.	Lb.	.10	.10	.10
Barley	Bu.	.64	.64	.59
Cast iron, Chicago	Ton	20.50	20.00	20.00
Coal, an., stove, Co.	Ton (gross)	8.00@ 9.25	8.00@ 9.25	8.00@ 9.25
Coal, bit., f.o.b. mine, Pitts., No. 8	Ton (net)	1.85@ 1.90	1.90@ 2.00	1.85@ 1.90
Coke, furn. spot	Ton	4.00	3.75	3.75
Copper, electro	Lb.	.12½	.12½	.13¼
Cotton-seed oil	Lb.	.09⅝	.09¾	.09½
Eggs, fresh firsts	Doz.	.39	.39	.42
Gasoline, bbl.	Gal.	.18½	.15½	.15½
Hay, No. 1	Ton	30.00	31.00	30.00
Hides, nat. strs.	Lb.	.18½	.13½	.13½
Iron, basic pig, E. Pa.	Ton	23.25	23.25	23.25
Iron, Bess., Pitts.	Ton	24.76	24.76	24.76
Lead, N. Y.	Lb.	.079	.079	.07¾
Leather, Union	Lb.	.39	.36	.36
Lemons, Cal.	300s	4.00	4.00	7.00
Linseed oil	Gal.	.92	.91	.91
Penn. hem., base price	1,000 ft.	40.00	40.00	40.00
Petrol, crude	Bbl.	3.25	3.25	3.00
Petroleum, refined, tanks	Gal.	.15	.15	.15
Potatoes, N. Y.	Bbl.	4.50	4.75	4.40
Printcloths, 39-in., 68-72s	Yd.	Spt. .12½@.12	Spot .12⅛ Contract .12⅛	.12½
Printcloths, 38½-in. 64-60s	Yd.	.10½@.10	Spot .10⅛@.10⅝ Contract .11	.11
Rubber, Pl. 1st Latex cr.	Lb.	.26½	.26½	.26⅞
Silk, Sinshiu, No. 1	Lb.	7.80	7.65	7.80
Spelter, St. Louis	Lb.	.0645	.0645	.06275
Tin	Lb.	.48¾	.48⅛	.47¼
Tinplate	100 lbs.	5.50	5.50	5.50
Wool, O. fine unwashed delaine, Boston	Lb.	.56	.56	.55
Wool, O. half-blood unwashed comb, Boston	Lb.	.55	55	.55
Yellow pine timbers, long leaf, 12x12	1,000 ft.	56.00	56.00	56.00

THE WEEK'S PRICE RANGE OF COTTON.

	High	Low	Closing	Net Change
January	34.00	32.15	32.84	—.71
March	34.36	32.37	33.15	—.69
May	34.55	32.60	33.37	—.59
July	33.57	31.52	32.38	—.57
October	28.80	27.64	28.00	—.02
December	28.30	27.20	27.53	—.02

THE WEEK'S PRICE RANGE OF GRAIN.

	WHEAT		CORN		OATS	
	High	Low	High	Low	High	Low
May	1.10	1.07¾	.80½	.77½	.47⅞	.46½
July	1.08	1.06⅜	.81	.78½	.45⅞	.44⅝
Sept.	1.07⅜	1.05⅜	.81⅝	.79¼	.43⅞	.43¼

Export of Skilled Labor From Britain

Continued from Page 137

the disinclination of young men and youths to enter a long period of apprenticeship, the steady drift from the skilled to the unskilled occupations, and the better conditions offered by American employers. It is generally recognized that it is not necessary for lads to serve six and seven years' apprenticeship. Except in quite rare occupations, they can now be trained in much shorter time, while the introduction of mechanical appliances and division of labor have done much to alter working conditions. The restrictions of the trade unions as regards numbers of apprentices will have to be very largely modified. With the return of normal times and average trade activity it may be possible to offer various advantages to the skilled branches of labor which it would be impossible to offer at present. It is worth noting, also, that negotiations have been in progress for some time in the engineering industry between the employers and the unions, with the object of making a test on a large scale of a system of payment by results. There is general agreement that to put British industry on its feet radical changes in working methods are necessary. A widespread belief prevails that by an increase in the rate of production, such as could be achieved by the acceptance of the payment-by-results principle, the wages percentage in total costs of production could be reduced, while at the same time enabling the individual workman to receive a higher rate of pay than under the existing system of time rates of wages. Many of the conditions existing in the engineering and shipbuilding industries are common to the building trade of this country. Here we have no fewer than 112,000 men out of work, and that at a time when there is great activity in the trade. Architects and master builders all over the country report that there is a great dearth of skilled building men. Bricklayers, carpenters, masons and plasterers are extremely scarce; indeed, it is common now to bring plasterers from one end of the country to the other, if they cannot be found near the job.

The unemployment is mainly among the builders' laborers, although even this class of men have to possess a certain amount of skill and experience of building work. The principal cause of this unemployment is due to the lack of adequate skilled men of the type indicated. Here, again, a good many men have emigrated to America, tempted by the high wages, and this has been especially the case among the unmarried men. The same lack of adequate training and skill is noticeable among the younger men in the skilled branches of the building trade as in other industries. Builders are constantly complaining that out of a dozen men taken on three or four really know their trade, while the others cannot be retained after the first few days. It is a very serious matter that among the young men who came out of the army at the end of the war there are a great number who are not equipped with an adequate training to earn their living. Those who have had a superficial training in some trade have not sufficient skill to insure regular employment, and many of those who seek work as laborers have not the physical strength that it requires, quite apart from the considerable amount of rough skill in digging or concrete mixing and many other things which the regular builders' laborer possesses. This shortage of skilled mechanics has nothing to do with tariffs or free trade, but it affects the public closely because it means that building involves far more time and cost than should be necessary; it also means a large number of unskilled men

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The following changes were noted in the weekly statement of the Bank of England and the Bank of France:

BANK OF ENGLAND

Gold coin and bullion	increased	£13,212
Reserve in banking department, gold and notes	increased	1,131,000
Notes in circulation	decreased	1,118,000
Loans on Government securities	decreased	1,630,000
Loans on other securities	decreased	7,401,000
Notes in reserve	increased	1,135,000
Public deposits	increased	2,172,000
Other deposits	decreased	6,367,000

	Last Week	Same Week 1923
Ratio of reserve	18.39	17.13

BANK OF FRANCE

		Francs
Gold in hand	increased	162,000
Silver in hand	increased	112,000
Notes in circulation	decreased	494,423,000
Treasury deposits	increased	3,569,000
General deposits	increased	313,314,000
Bills discounted	increased	41,379,000
Advances	decreased	49,392,000

New Opportunities for the Investor

The Annalist's Weekly Index to Current Security Offerings

BELOW will be found a complete list of securities, including bonds, notes, preferred and common stocks, offered to the public since the beginning of the year and ending Jan. 19. Each Monday the complete list of security offerings of the preceding week will be published in a similar manner. For quick reference, the list has been arranged by classification and in alphabetical form.

In the initial issue of each three months this weekly information will be assembled into a complete Quarterly Index of Security Offerings. This list will be supplemented by the publication as well of such display announcements as may have appeared in The Annalist in the last quarter, containing additional facts indicative of the strength, safety and special features of the issue.

While The Annalist will not discriminate among securities nor advise as to the wisdom of investments, it is prepared, through its Service Department, to provide additional detailed information, including the name of the house of issue, for those desiring it.

The list of last week follows:

BONDS

AMOUNT	NAME AND DESCRIPTION	INTEREST DATES	MATURITY	OFFERED AT	YIELD	DATE OFFERED
★$40,000,000	Argentine Nation, Govt. of, Ext. Sinking Fund Gold 6s of 1923, Series A	M. & S.	Sept. 1, 1957	96½ & Int.	6.25%	Jan. 17
500,000	Bankers' Joint Stock Land Bank, Boonville, Mo., Farm Loan 5s	....	Oct. 1, 1953, Opt. 1933	100.40 & Int.	4.95% to opt. date; 5% thereafter	Jan. 10
150,000	Bartow, Fla., Gen. Fund 5s	....	Aug. 1, 1927 to 1955	....	5⅛%	Jan. 10
400,000	Beatrice, Neb., School 5s	....	Feb. 1, 1930 to 1954	101.29 & Int. to 104.80 & Int.	4.75% to 4.70%	Jan. 16
1,279,000	Boston, Mass., Reg. 4¼s	....	Jan. 1, 1930 to 1954	....	4.05% to 4%	Jan. 16
★★7,000,000	Chicago Union Station Co. First Gold 5s, Series B	J. & J.	July 1, 1963	97¾ & Int.	....	Jan. 14
50,000	Conover, N. C., Water Works & Sewer 6s	....	Oct. 1, 1925 to 1961	....	5.60%	Jan. 12
135,000	Crescent Silica Co. First Sinking Fund Gold 7s	M. & N.	Nov. 1, 1933	Par & Int.	7%	Jan. 12
1,000,000	Crossett Timber & Development Co. Serial Gold 7% Notes	J. & D. 15	June 15, 1924, to Dec. 15, 1927	Par & Int.	6%	Jan. 17
60,000,000	Federal Land Bank 10-30 Yr. 4¾s	J. & J.	Jan. 1, 1954, Red. 1934	100½ & Int.	4.70% to opt. date; 4¾% thereafter	
55,000	Fayetteville, N. C., Street Imp., Water & Sewer 5½s	....	April 1, 1926 to 1964	....	5.20% to 5.10%	Jan. 10
400,000	Financial Center Bldg. Co., Los Angeles, First Serial Gold 7s	....	....	Par & Int.	7%	Jan. 7
95,000	Florence, S. C., Paving Obligation 6s	....	May 15, 1924 to 1933	....	5.625%	Jan. 4
150,000	Glenville, N. Y., 4¾s	....	1929 to 1947	....	4.50%	Jan. 8
2,000,000	Greater Winnipeg Water Dist., Manitoba, 5-Yr. Gold 5s	J. & J.	Jan. 1, 1929	98½ & Int.	5.35%	Jan. 14
600,000	Greenburgh, N. Y., Union Free School Dist. No. 1 4½s	A. & O.	Oct. 1, 1925 to 1954	....	4.30% to 4.20%	Jan. 18
75,000	Hempstead, N. Y., 4½s	....	1935 to 1948	....	4.30%	Jan. 8
100,000	Hill (D.) Nursery Co., Inc., First Closed 6½s	....	Dec. 1, 1923	Par & Int.	6.50%	Jan. 12
1,000,000	Kansas City, Mo., School 5s	J. & J.	July 1, 1941	106 & Int.	4.50%	Jan. 14
500,000	La Patrie Publishing Co., Ltd., 20-Yr. First Sinking Fund Gold 6½s	J. & J.	Jan. 1, 1943	97½ & Int.	6.75%	Jan. 12
8,000,000	Los Angeles Gas & Elec. Corp. Gen. & Ref. Gold 6s, Series H	M. & S.	March 1, 1942	99 & Int.	6.05%	Jan. 15
1,400,000	Melrose Court Apts., Dallas, Texas, First Serial Coupon 6½s	....	1926-1942	....	....	Jan. 19
500,000	Memphis, Tenn., Board of Education School 5s	J. & J.	Jan. 1, 1930 to 1963	101.54 & Int. to 106.28 & Int.	4.70% to 4.65%	Jan. 15
177,000	Miami, Fla., Sewer 5s	....	Jan. 1, 1926 to 1934	Par & Int.	5%	Jan. 11
368,000	Millville, N. J., School 5s	J. & J.	Jan., 1926 to 1962	100.56 & Int. to 106.21 & Int.	4.70% to 4.65%	Jan. 12
500,000	Miramar Improvement, Santa Monica, Cal., First Serial Gold 7s, Series A	J. & J.	Jan. 1, 1931 to 1935	Par & Int.	7%	Jan. 10
193,000	Mishawaka, Ind., School City 4¾s	....	Jan. 15, 1926 to 1942	100.28 & Int. to 103.69 & Int.	4.60% to 4.45%	Jan. 14
250,000	Modesto Irrig. Dist 5s	....	....	Par & Int.	5%	Jan. 14
200,000	Municipal Trust Ownership 6% Ctfs., Series B	....	Dec. 1, 1924 to 1929	Par & Int.	6%	Jan. 12
1,000,000	National Steel Car Lines Co. Equip. Trust Gold 6½% Ctfs., Series D	F. & A.	Aug. 1, 1924, to Feb. 1, 1928	....	6% to 6.50%	Jan. 17
500,000	New Jersey, State of, Road & Highway Extension 4¼s	....	Jan. 1, 1934 and 1954	....	4.20%	Jan. 17
500,000	New Mexico, State of, Gold 5s	J. & J.	Jan. 1, 1952, Opt. 1932	104 & Int.	4.40% to opt. date; 5% thereafter	Jan. 17
2,350,000	New York State Gas & Elec. Corp. First Gold 5½s	A. & O.	Oct. 1, 1962	92½ & Int.	6%	Jan. 18
750,000	Niagara Alkali Co. and Electro Bleaching Gas Co. First Serial Gold 7s	M. & N.	Nov. 1, 1925 to 1933	Par & Int.	7%	Jan. 15
85,000	North Wilkesboro, N. C., Water Works & Electric Light 6s	....	Dec. 1, 1926 to 1963	....	5.40%	Jan. 12
200,000	Oklahoma County, Okla., Bridge 5s	....	Dec. 15, 1929 to 1948	....	4.75%	Jan. 12
1,788,000	Ottawa, Ont., Gold 5½s	J. & J.	July 1, 1924 to 1953	....	5% to 5.20%	Jan. 14
4,000,000	Penick & Ford, Ltd., Inc., First Sinking Fund Gold 6½s	J. & D.	Dec. 1, 1943	98 & Int.	6.65%	Jan. 16
400,000	Penn. Warehouse Co., Cleveland, First Leasehold Serial Gold 7s	J. & J.	June 1, 1925 to 1938	Par & Int.	7%	Jan. 15
75,000	Ponca City, Okla., Electric Light 5½s	....	Oct. 16, 1948		5⅛%	Jan. 7
2,000,000	Providence, R. I., Coupon or Reg. Water Supply Gold 4¼s	F. & A.	Feb. 1, 1964	Par & Int.	4.25%	Jan. 12
250,000	Pueblo, Col., Public Water Works Dist. No. 2 5s	....	Dec. 1, 1948	Par & Int.	5%	Jan. 15
4,200,000	Rochester, N. Y., Gold 4¼s	F. & A.	Feb. 1, 1925 to 1954	100.24 & Int. to 104.34 & Int.	4.10% to 4%	Jan. 15
380,000	Rumford Falls Realty Co. First Gold 5s	A. & O.	Oct. 1, 1942	94½ & Int.	5.50%	Jan. 3
300,000	Ryan Hotel Co., St. Paul, Minn., First Gold 6s	J. & J.	Dec. 1, 1933	Par & Int.	6%	Jan. 15
855,000	St. Joseph, Mo., Direct Obligation 5s	M. & N.	May 1, 1927 to 1941	101.65 & Int. to 107.20 & Int.	4.45% to 4.40%	Jan. 16
300,000	St. Lawrence, N. Y., 5s	....	1925-1948	....	4.25% to 4.15%	Jan. 8
1,750,000	San Antonio Public Service Co. First and Ref. Gold 6s, Ser. A	J. & J.	Jan. 1, 1952	95 & Int.	6⅜%	Jan. 16

★ For further information see Page 152.
★★ For further information see Page 130.

Continued on Next Page

New Opportunities for the Investor

The Annalist's Weekly Index to Current Security Offerings

Continued from Preceding Page

Amount	Name and Description	Interest Dates	Maturity	Offered At	Yield	Date Offered
$760,000	San Jose, Cal., Serial Coupon 5s	......	Jan. 1, 1925 to 1944	Int.	4.70%	Jan. 8
1,000,000	Santa Monica, Cal., Waterworks 5s	J. & J.	1925-1964	....	4.75%	Jan. 19
1,000,000	Scottish Rite Cathedral Asso., St. Louis, First Serial Real Estate Gold 5½s	J. & D.	June 1, 1925, to Dec. 1, 1935	100.29 & Int. to 103.86 & Par & Int.	5½%	Jan. 15
1,000,000	Seattle, Wash., Municipal Light & Power Gold 5½s	....	1929-1943	Par & Int.	5.50%	Jan. 17
1,300,000	Shawinigan Water & Power Co. First Ref. Sinking Fund Gold 6s, Series C	J. & J.	July 1, 1950	103 & Int.	5.75%	Jan. 15
100,000	Shelby Co., Texas, Road & Bridge 6% Funding Warrants	A. & O. 15	April 15, 1946 to 1956	Par & Int.	6%	Jan. 18
250,000	Sioux City, Iowa, Road 5s	....	1929 to 1938	....	4.65% to 5%	Jan. 12
425,000	Sioux City, Iowa, Ind. School Dist. 4½s and 4¾s	J. & J.	4½s—Jan. 1, 1932 to 1936 4¾s—Jan. 1, 1936 to 1944	....	4.50%	Jan. 16
1,500,000	Southern California Gas Co. First & Ref. Gold 6s, Series C	J. & D.	June 1, 1958	98 & Int.	....	Jan. 16
475,000	Strathmoor Apt. Hotel, Detroit, First Serial Gold 7s	A. & O. 10	Oct. 10, 1926 to 1935	Par & Int.	7%	Jan. 8
700,000	Superior Foundry Co. First Serial Gold 7s	J. & D.	Dec. 1, 1925 to 1938	Par & Int.	7%	Jan. 17
120,000	Tate Motor Co. Bldg., St. Louis, 1st Serial Real Estate Gold 5½s	M. & N.	May 15, 1924, to Nov. 15, 1928	Par & Int.	5½%	Jan. 15
350,000	Taylor County, Texas, Direct Obligation 5½s	....	Dec. 1, 1924 to 1953	....	5%	Jan. 15
180,000	Tonawanda, N. Y., Union Free School District No. 1 Gold 4½s	....	March 1, 1928 to 1953	....	4.50% to 4.40%	Jan. 16
3,000,000	Toronto, Can., Guar. Gold 4½s	M. & S.	Sept. 1, 1953	90¼ & Int.	5.15%	Jan. 16
100,000	Westchester Co., N. Y., Reg. 4s	....	1927-1958	Par & Int.	4%	Jan. 8
2,750,000	West Virginia, State of, Road Gold 4½s	A. & O.	April 1, 1933 to 1944	....	4.40% to 4.35%	Jan. 17
80,000	Winter Park, Fla., Paving 5½s	....	Jan. 1, 1944	....	5.30%	Jan. 14
1,766,000	Yonkers, N. Y., Coupon Gold 4½s	A. & O.	Feb. 1, 1925 to 1964	100.39 & Int. to 107.83 & Int.	4.10%	Jan. 18

STOCKS

Amount	Name and Description	Dividend Dates	Par Value	Offered At	Yield	Date Offered
$250,000	Century Co. 8% Cum. Pfd.	A. & O.	$100	Par & Divd.	8%	Jan. 15
650,000	Greening (The B.) Wire Co., Ltd., Cum. Redeemable 7% Pfd.	....	....	95 & Divds.	7.40%	Jan. 16
★42,000	Jordan Motor Car Co. Com. (3½ new sh. for each com. sh. held)	....	......	$30	....	Jan. 16
$500,000	Kendall Mfg. Co. 7% Cum. Pfd. (with bonus of ½ sh. Com.)	J., A., J. & O.	$100	98½ & Divds.	....	Jan. 15
★24,000	Manitoba Power Co., Ltd., Treasury Stock (1 sh. for 3 held)	....	.....	$20	....	Jan. 9
	New England Southern Mills, Prior Pfd. & Com. (1 sh. pfd. and 1 sh. Com. for each 3¾ shs. com. held)	....	......	100 & Divds.	....	Jan. 9
$400,000	St. Joseph Valley Temple Asso., South Bend, Ind., Real Estate 6% Pfd. (maturity June 1, 1927 to 1940)	M., J., S. & D.	$50	Par & Divds.	6%	Jan. 12
★19,750	St. Maurice Paper Co., Ltd., Capital Stock (1 sh. for each 4 held)	....	......	Par & Divds.	....	Jan. 16
$1,400,000	Southwestern Power & Light Co. 7% Cum. Pfd.	M., J., S. & D.	$100	$96.50 & Divds.	7.25%	Jan. 18

★ Shares.

Export of Skilled Labor From Britain

Continued from Page 142

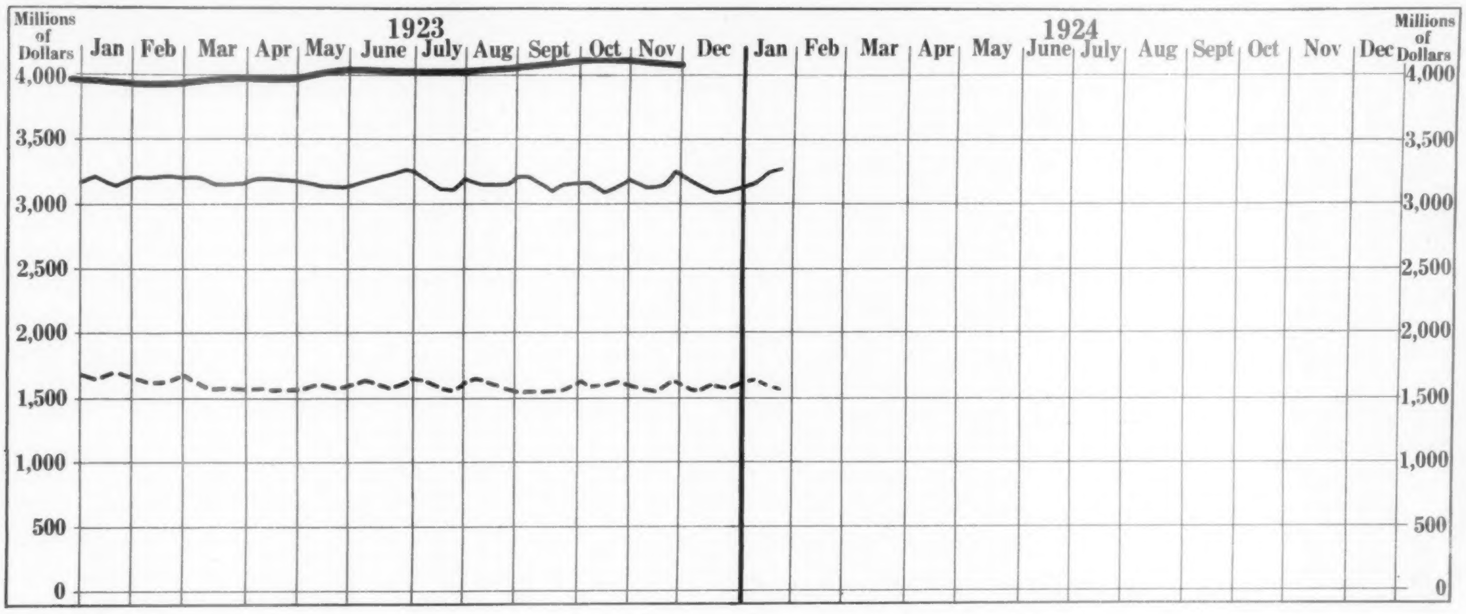
standing idle and living on the "dole" or other form of charity, whereas they should be earning wages and consequently circulating money in trade. The most important body in the building trade (the Royal Institute of British Architects) is so impressed by the dearth of skilled labor in the building trade that it has set up a special committee to study the whole matter.

It is very curious that Australia is crying out for skilled mechanics from England when we ourselves have not enough to go around. The Chambers of Manufacturers, at a conference lately held at Sydney, decided that the Imperial-Australian immigration policy was defective because it did not send out a fair proportion of skilled artisans, and dealt mainly with agricultural laborers and land settlers. The conference made it clear that what the manufacturers wanted especially from the United Kingdom was trained mechanics "to help to expand our manufacturing industries and to use our own raw material instead of sending it overseas to be manufactured by the workers of other parts of the world."

This lack of skilled labor, both present and prospective, is going to seriously affect England's industrial position as an exporting nation, unless the shortage is remedied. England has hitherto maintained her position as a great seller of goods to the foreigner simply because she has been able to make them better and cheaper than her competitors.

Our first endeavor should be to see that we can supply our home, Colonial and overseas customers with the goods they want at a moderate price and in a reasonable time. Certainly we cannot go on indefinitely paying vast sums out of the country's capital to people who are starving because of trade disputes, and the Dominions, which are rapidly developing their own industries, will be obliged to go outside the empire for what they require from abroad. Our best and most skillful workmen are sick to death of strikes and lockouts and general trade uncertainties. What they want is continuity of work at decent rates and they are steadily going to lands where they can get it. The extremists among trade unions are gradually killing the goose that lays the eggs, and this is just what the shrewd workmen foresee.

Federal Reserve Gold Holdings and Total Stock of Gold



The space between the base line and the broken line represents the cash reserves required, that between the broken line and the light line the excess reserves, or free gold, and the whole space between the base line and the heavy line represents the total stock of gold. The supply is computed monthly, so that the record can never be brought to the date of publication. The chart records the last figures published.

Bank Clearings

Week Ended Saturday, Jan. 19.

By Telegraph to The Annalist

Central Reserve Cities:	Last Week. 1924.	Last Week. 1923.	Year to Date. 1924.	Year to Date. 1923.
New York	$4,794,535,831	$4,617,915,709	$14,059,188,644	$13,788,321,519
Chicago	636,700,032	660,904,514	1,867,026,960	1,943,845,045
Total 2 C. R. cities	$5,431,235,663	$5,278,820,223	$15,926,215,604	$15,732,166,564
Increase	2.9%		1.2%	
Other Federal Reserve cities:				
Atlanta	$51,571,365	$50,844,809	$172,234,777	$161,911,807
Boston	471,000,000	433,000,000	1,333,000,000	1,216,000,000
Cleveland	105,714,914	112,070,759	329,497,861	329,548,466
Kansas City, Mo	126,285,949	145,916,545	365,673,139	430,188,746
Minneapolis	65,251,512	78,691,876	191,977,198	226,074,167
Philadelphia	488,000,000	515,000,000	1,504,000,000	1,509,000,000
Richmond	47,989,000	53,963,000	154,940,000	163,591,000
San Francisco	170,500,600	166,300,000	495,800,000	483,700,000
Total 8 cities	$1,526,312,740	$1,555,786,989	$4,547,122,975	$4,520,014,186
Increase	*1.9%		0.6%	
Total 10 cities	$6,957,548,403	$6,834,607,212	$20,473,338,579	$20,252,180,750
Increase	1.7%		1.1%	

*Decrease.

Other cities:	Last Week. 1924.	Last Week. 1923.	Year to Date. 1924.	Year to Date. 1923.
Buffalo	$46,146,257	$44,565,173	$142,446,246	$136,693,523
Cincinnati	70,800,000	73,000,000	197,874,000	211,121,000
Columbus, Ohio	13,266,106	16,738,000	42,073,100	49,566,200
Denver	19,208,523	19,814,392	68,856,949	62,453,028
Los Angeles	150,369,000	133,744,000	453,179,000	370,041,000
Louisville	32,146,482	39,094,998	96,238,518	107,219,964
Milwaukee	38,072,705	36,087,163	109,452,665	108,272,828
New Orleans	69,583,273	63,649,217	206,902,361	179,679,344
Omaha	36,548,135	46,258,821	103,789,221	133,284,479
St. Paul	34,520,180	34,410,938	97,928,088	105,446,603
Seattle	40,306,479	36,255,988	120,126,899	103,919,895
Washington	22,890,372	22,198,231	68,850,111	66,478,915
Total 12 cities	$573,857,506	$565,816,921	$1,707,717,158	$1,635,176,779
Increase	1.4%		4.4%	
Total 22 cities	$7,531,405,909	$7,400,424,133	$22,181,055,737	$21,887,357,529
Increase	1.7%		1.3%	

Statement of the Federal Reserve Banks

Actual Condition, Jan. 16.

COMPARATIVE STATEMENT OF CONDITION AT CLOSE OF BUSINESS JAN. 16.

	Dist. 1, Boston.	Dist. 2 New York.	Dist. 3, Philadelphia.	Dist. 4, Cleveland.	Dist. 5, Richmond.	Dist. 6, Atlanta.	Dist. 7, Chicago.	Dist. 8, St. Louis.	Dist. 9, Minneapolis.	Dist. 10, Kansas C'y.	Dist. 11, Dallas.	Dist. 12, San Francisco.
Gold reserve	$271,670,000	$979,112,000	$237,482,000	$297,064,000	$111,219,000	$117,015,000	$534,247,000	$96,780,000	$84,529,000	$95,580,000	$45,527,000	$286,894,000
Rediscounts	12,652,000	88,579,000	31,596,000	21,376,000	21,172,000	13,432,000	25,152,000	16,846,000	2,586,000	10,135,000	1,123,000	15,125,000
Bills bought	30,453,000	49,944,000	32,047,000	45,295,000	2,797,000	13,185,000	40,196,000	348,000	2,138,000	10,000	42,197,000	34,134,000
Due members	130,069,000	739,823,000	117,019,000	161,338,000	64,369,000	56,263,000	269,479,000	70,617,000	45,092,000	73,878,000	55,702,000	152,658,000
F. R. notes in circ'n	203,268,000	392,900,000	200,215,000	224,919,000	92,701,000	135,103,000	376,136,000	72,286,000	62,103,000	63,917,000	48,156,000	212,616,000
Ratio, &c	83.8%	87.6%	76.9%	78.5%	72.4%	64.5%	83.9%	75.0%	78.2%	70.3%	49.2%	77.7%

Federal Reserve Bank Statement

Consolidated statement of twelve Federal Reserve Banks compares as follows:

RESOURCES—	Jan. 16, 1924.	Jan. 9, 1924.	Jan. 17, 1923.
Gold with Federal Reserve agents	$2,130,879,000	$2,106,705,000	$2,195,474,000
Gold redemption fund with U. S. Treasury	46,800,000	51,448,000	49,949,000
Gold held exclusively against F. R. notes	$2,177,679,000	$2,158,153,000	$2,245,423,000
Gold settlement fund—Federal Reserve Board	573,038,000	583,522,000	535,229,000
Gold and gold certificates held by banks	406,402,000	389,867,000	296,840,000
Total gold reserves	$3,157,119,000	$3,131,542,000	$3,077,492,000
Reserves other than gold	113,285,000	106,965,000	136,645,000
Total reserves	$3,270,404,000	$3,238,507,000	$3,214,137,000
Non-reserve cash	68,926,000	67,756,000	82,178,000
Bills discounted: Secured by United States Government obligations	259,774,000	306,373,000	284,017,000
Other bills discounted	274,411,000	300,548,000	229,328,000
Total bills discounted	$534,185,000	$606,921,000	$513,345,000
Bills bought in open market	292,744,000	319,166,000	201,335,000
U. S. Government securities:			
Bonds	20,026,000	19,903,000	28,043,000
Treasury notes	72,084,000	62,089,000	*128,835,000
Certificates of indebtedness	24,502,000	18 366,000	255,554,000
Total U. S. Government securities	$116,612,000	$100,358,000	$412,432,000
Municipal warrants	20,000	51,000	10,000
Total earning assets	$943,561,000	$1,026,496,000	$1,127,122,000
Five per cent. redemption fund—Federal Reserve Bank notes	28,000	28,000	311,000
Uncollected items	670,437,000	606,178,000	653,495,000
Bank premises	54,209,000	54,006,000	45,895,000
All other resources	16,185,000	15,576,000	15,329,000
Total resources	$5,023,750,000	$5,008,547,000	$5,138,467,000
LIABILITIES—			
Federal Reserve notes in actual circulation	$2,084,320,000	$2,147,064,000	$2,256,491,000
Federal Reserve Bank notes in circulation—net	444,000	456,000	3,117,000
Deposits:			
Member bank—reserve account	1,936,307,000	1,941,006,000	1,918,468,000
Government	39,436,000	20,343,000	9,341,000
Other deposits	23,895,000	23,406,000	41,642,000
Total deposits	$1,999,638,000	$1,984,755,000	$1,969,451,000
Deferred availability items	595,671,000	532,205,000	573,705,000
Capital paid in	110,302,000	110,506,000	107,484,000
Gold redemption fund	220,915,000	220,915,000	218,369,000
All other liabilities	12,460,000	12,646,000	9,850,000
Total liabilities	$5,023,750,000	$5,008,547,000	$5,138,467,000
Ratio of total reserves to deposit and Federal Reserve note liabilities combined	80.1%	78.4%	76.1%
Contingent liability on bills purchased for foreign correspondents	17,315,000	18,175,000	33,941,000

*Includes Victory notes.

Statement of Member Banks

Data for Federal Reserve Cities and in Federal Reserve Branch Cities.

	New York. Jan. 9.	New York. Jan. 2.	Chicago. Jan. 9.	Chicago. Jan. 2.
Number of reporting banks	67	67	48	48
Loans sec. by U. S. Gov't oblig'ns	$73,977,000	$82,948,000	$26,523,000	$26,389,000
Loans sec. by stocks and bonds	1,500,503,000	1,580,383,000	440,784,000	465,088,000
All other loans and discounts	2,151,558,000	2,138,223,000	644,146,000	652,054,000
Total loans and discounts	$3,726,038,000	$3,801,554,000	$1,111,453,000	$1,143,531,000
United States pre-war bonds	38,051,000	38,052,000	4,220,000	4,198,000
United States Liberty bonds	393,980,000	385,662,000	36,285,000	46,918,000
United States Treasury bonds	17,597,000	17,785,000	5,237,000	5,216,000
United States Treasury notes	441,533,000	444,741,000	68,522,000	79,325,000
United States ctfs. of indebtedness	22,479,000	24,966,000	12,357,000	11,277,000
Other bonds, stocks, securities	552,876,000	559,052,000	162,819,000	172,520,000
Total loans, discounts, invest's	$5,192,554,000	$5,271,812,000	$1,400,893,000	$1,462,985,000
Reserve balance with F. R. Bank	591,634,000	639,412,000	152,790,000	140,532,000
Cash in vault	71,812,000	72,230,000	31,910,000	32,548,000
Net demand deposits	4,334,278,000	4,407,251,000	1,003,001,000	1,032,639,000
Time deposits	611,946,000	619,180,000	373,191,000	375,942,000
Government deposits	41,947,000	44,154,000	7,632,000	8,143,000
Bills payable	68,000,000	131,900,000	1,607,000	21,407,000
All other	1,540,000	18,148,000	2,853,000	6,812,000

	All Reserve Cities Jan. 9.	All Reserve Cities Jan. 2.	Reserve Branch Cities Jan. 9.	Reserve Branch Cities Jan. 2.
Number of reporting banks	255	255	205	207
Loans sec. by U. S. Gov't oblig'ns	$150,941,000	$160,666,000	$42,091,000	$42,530,000
Loans sec. by stocks and bonds	2,774,237,000	2,888,206,000	624,238,000	618,443,000
All other loans and discounts	4,773,518,000	4,784,136,000	1,643,470,000	1,643,790,000
Total loans and discounts	$7,698,696,000	$7,883,008,000	$2,309,799,000	$2,304,763,000
United States pre-war bonds	88,748,000	88,650,000	74,246,000	74,467,000
United States Liberty bonds	614,439,000	613,250,000	225,208,000	225,420,000
United States Treasury bonds	41,992,000	41,478,000	19,752,000	19,163,000
United States Treasury notes	625,435,000	640,103,000	140,208,000	135,020,000
United States ctfs. of indebtedness	67,017,000	70,216,000	33,286,000	31,797,000
Other bonds, stocks, securities	1,165,875,000	1,185,075,000	598,106,000	612,302,000
Total loans, discounts, invest's	$10,302,202,000	$10,471,780,000	$3,400,605,000	$3,402,932,000
Reserve balance with F. R. Bank	1,020,149,000	1,048,198,000	239,252,000	237,336,000
Cash in vault	155,490,000	158,277,000	67,034,000	71,906,000
Net demand deposits	7,685,914,000	7,793,229,000	1,943,953,000	1,955,820,000
Time deposits	1,698,002,000	2,004,483,000	1,230,606,000	1,225,218,000
Government deposits	98,939,000	104,531,000	43,098,000	45,495,000
Bills payable	112,073,000	204,217,000	48,414,000	65,919,000
All other	65,053,000	121,701,000	45,242,000	58,493,000

	Other Selected Cities Jan. 9.	Other Selected Cities Jan. 2.
Number of reporting banks	303	304
Loans secured by United States Government obligations	$35,555,000	$35,783,000
Loans secured by stocks and bonds	522,288,000	523,309,000
All other loans and discounts	1,364,612,000	1,370,000,000
Total loans and discounts	$1,922,455,000	$1,929,042,000
United States pre-war bonds	106,698,000	106,636,000
United States Liberty bonds	165,746,000	166,660,000
United States Treasury bonds	19,601,000	19,471,000
United States Treasury notes	67,046,000	67,791,000
United States certificates of indebtedness	13,431,000	13,790,000
Other bonds, stocks, securities	440,147,000	443,438,000
Total loans, discounts, investments	$2,735,124,000	$2,746,828,000
Reserve balance with Federal Reserve Bank	170,716,000	169,498,000
Cash in vault	88,315,000	92,221,000
Net demand deposits	1,655,484,000	1,689,080,000
Time deposits	1,177,049,000	874,284,000
Government deposits	11,995,000	12,757,000
Bills payable	29,326,000	30,365,000
All otner	48,722,000	52,583,000

21 1924

Dividends Declared and Awaiting Payment

STEAM RAILROADS.

Company.	Rate.	Period.	Payable.	Books Close.
Atch., Top. & S. F.	1½	Q	Mar. 1	*Jan. 25
Conn. & Passump. R. pf.	3	S	Feb. 1	Dec. 31
Hudson & Man. pf.	2½	S	Feb. 15	Feb. 1
Int. Rys. of Cen. Am. pf	1¼	Q	Feb. 15	Jan. 31
Louis., H. & St. L. pf.	4	—	Feb. 15	Feb. 1
Mine Hill & Sch. Haven	$1.25	—	Feb. 1	Jan. 16
Massawippi Valley	3	—	Feb. —	Jan. 1
Nash., Chat. & St. L.	3½	—	Feb. 1	Jan. 19
Virginian Ry. pf.	3	—	Feb. 1	*Jan. 21

PUBLIC UTILITIES.

Company.	Rate.	Period.	Payable.	Books Close.
Am. Dist. Tel. of N. J.	2½	Q	Jan. 29	*Jan. 15
A. W. W. & E. 7% 1st pf	1¾	Q	Feb. 15	Feb. 1
Do partic. pf.	1	Q	Feb. 15	Feb. 1
Brazilian T., L. & P.	1	Q	Mar. 1	Jan. 31
Cleve. Elec. Ill. 6% pf.	1½	Q	Feb. 1	*Jan. 25
Commonwealth Power	$1	—	May 1	Apr. 18
Do 6% pf.	1½	Q	Feb. 1	Jan. 18
Do 6% pf.	1½	Q	May 1	Apr. 18
Consum. Pr. (Mich.) 6% pf	1½	Q	Apr. 1	Mar. 15
Do 7% pf.	1¾	Q	Apr. 1	Mar. 15
Dallas Power & Lt. pf.	1¾	Q	Feb. 1	Jan. 19
E. Mass. St. Ry. 1st pf.	3	—	Feb. 1	Jan. 21
Do sinking fund	3	—	Feb. 1	Jan. 31
Do pf. B.	3	—	Feb. 15	Jan. 31
Ed. Elec. Ill., Brockton	2½	Q	Feb. 1	Jan. 19
Elec. Bond & Share pf.	1½	Q	Feb. 1	Jan. 19
Ed. Elec. Ill., Boston	3	Q	Feb. 1	Jan. 15
Ft. Worth Pr. & Lt. pf.	1¾	Q	Feb. —	Jan. 15
Idaho Power pf.	1¾	Q	Feb. 1	Jan. 16
Ill. & Power Sec.	45c	Q	Feb. 10	Jan. 31
Do pf.	1¾	Q	Feb. 15	Jan. 31
Kaministiquia Power	2	Q	Feb. 15	Jan. 31
Mass. Gas Cos.	$1.25	Q	Feb. 1	Jan. 15
Montreal Tramways	2½	Q	Feb. 1	Jan. 21
Municipal Service	40c	Q	Jan. 25	Jan. 15
Newport News & Hamp. Ry., Gas & Elec.	$1.25	Q	Feb. 1	*Jan. 15
Pacific Power & L. pf.	1¾	Q	Feb. 1	Jan. 18
Portland (Ore.) G. & C. pf.	1¾	Q	Feb. 1	Jan. 18
Pub. Serv. Investment	1⅞	Q	Feb. 1	*Jan. 15
Do pf.	1½	Q	Feb. 1	*Jan. 15
Ry. & Light Securities	3	—	Feb. 1	Jan. 15
Do	1	Ex.	Feb. 1	Jan. 15
Do pf.	3	—	Feb. 1	Jan. 5
Sierra Pac. Elec. pf.	1½	Q	Feb. 1	*Jan. 22
Texas Power & Light pf.	1¾	Q	Feb. 1	Jan. 18
West Penn Co.	$1	Q	Mar. 31	Mar. 15
Do 7% pf.	1¾	Q	Feb. 15	Feb. 1

BANK STOCKS.

Company.	Rate.	Period.	Payable.	Books Close.
Bowery	3	Q	Feb. 1	Jan. 28
Do	7	Ex.	Feb. 1	Jan. 28
Continental	4	—	Feb. 1	*Jan. 26
Pacific	2	Q	Feb. 1	Jan. 19
Do	2	Ex.	Feb. 1	Jan. 19
Public	25	Stk	Feb. 28	Feb. 24

TRUST COMPANY

Company.	Rate.	Period.	Payable.	Books Close.
Farmers Loan & Trust	6	Q	Feb. 1	Jan. 19

FIRE INSURANCE.

Company.	Rate.	Period.	Payable.	Books Close.
Commercial Union	5	—	On dem.	
Home	9	—	On dem.	

INDUSTRIAL AND MISCELLANEOUS

Company.	Rate.	Period.	Payable.	Books Close.
Alaska Packers	2	Q	Feb. 9	Jan. 31
Do	2	Ex.	Feb. 9	Jan. 31
Am. Book	1½	Q	Jan. 19	Jan. 15
Am. Glue pf.	2	Q	Feb. 1	Jan. 18
Am. Radiator	$1	Q	Mar. 31	*Mar. 15
Do pf.	1¾	Q	Feb. 15	*Feb. 1
Am. Soda Fountain	1½	Q	Feb. 15	Feb. 1
Am. Sugar Ref. pf.	1¾	Q	Apr. 2	Mar. 1
At. Vitrified Prod.	50c	Q	Feb. 1	Jan. 20
Do pf.	1¾	Q	Feb. 1	Jan. 20

Continued on this Page—Last Column.

ADVERTISEMENTS ADVERTISEMENTS

Open Security Market—Bonds

UNITED STATES AND TERRITORIES

OLD ISSUES:

Issue	Bid	Offered	Dealer	Telephone
Consol. 2s, after 1930	102½	103¼	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Panama 2s, 1936-38	102½	103½	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Panama 3s, 1961	92¼	93½	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Conversion 3s, 1946-47	93¾	94¾	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Do old 4s, 1925	101¼	101⅝	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Liberty 1st 3½s, 1932-47	99.26	99.38	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Liberty 1st 4¼s	99.04	99.12	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Liberty 1st-2d 4¼s, 1932-47	98.70	99.30	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Liberty 2d 4¼s, 1927-42	99.00	99.06	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Liberty 3d 4¼s, 1928	99.84	99.90	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Liberty 4th 4¼s, 1933-38	99.06	99.12	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Treasury 4¼s, 1947-52	99.96	100.00	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Hawaiian 5½s	Quoted on req.		C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Philippine 4s	Quoted on req.		C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Porto Rico 4s	Quoted on req.		C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731

FEDERAL LAND BANK FARM LOAN BONDS

Issue	Bid	Offered	Dealer	Telephone
Fed. Land Bank 4½s, '37, op. '22	96¾	97½	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Fed. Land Bank 4½s, '38, op. '23	96¾	97½	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Fed. Land Bank 4½s, '39, op. '24	96¾	97½	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Fed. Land Bank 4½s, '42, op. '32	96¾	97½	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Fed. Land Bank 4½s, '43, op. '33	96¾	97½	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Fed. Land Bank 4½s, '53, op. '33	96¾	97½	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Fed. Land Bank 4¾s, '53, op. '33	100	100¼	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Fed. Land Bank 4¾s, '54, op. '34	100	100¼	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731
Fed. Land Bank 5s, '41, op. '31	101	101½	C. F. Childs & Co., 120 Broadway, N.Y.C.	Rector 6731

FOREIGN SECURITIES, INCLUDING NOTES

GOVERNMENT ISSUES

Issue	Bid	Offered	Dealer	Telephone
ARGENTINA:				
Argentine Rescission 4s	79½	80½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Argentine 4s, 1896 (unification)	57	58	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Argentine 5s, '45 (large, unlisted)	77⅜	78⅜	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Argentine 5s, '45 (listed numbers)	83	83½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Argentine 5s, '45 (small, unlisted)	77¼	78	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
AUSTRIA:				
Austrian Govt. 6s	18	23	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
BELGIUM:				
Belgian Govt. (restoration) 5s	29	30	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Belgian Govt. (premium) 5s	32	33	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
BOLIVIA:				
Bolivian 6s, 1940	78	79	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
BRAZIL:				
Brazilian Govt. 4s, 1889	35½	36	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Brazilian Govt. 4s, 1910	36⅛	37	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Brazilian Govt. 4s, 1911	17	18	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Brazilian Govt. 4s, 1900	36½	37	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
Brazilian Govt. 4s, 1910	36½	37	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
Brazilian Govt. 4s, 1889	35¼	36	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
Brazilian Govt. 4s, (rec.)	36½	37	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Brazilian Govt. 4½s, 1883	38¾	39¾	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Brazilian Govt. 4½s, 1888	38	39	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Brazilian Govt. 5s, 1895	44	45	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Brazilian Govt. 5s, 1911	12.00	15.00	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
Brazilian Govt. 5s, 1913	43½	44½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Brazilian Govt. 5s, 1903	56	59	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Brazilian Govt. 5s, 1908 (francs)	15	20	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Brazilian Govt. 8s, 1941	94⅜	94⅝	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
CANADA:				
Canadian 5s, 1931 (internal)	97⅝	98½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5s, 1937	99½	100½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5s, 1952 (external)	99½	100	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5s, 1928	96½	97½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5s, 1943	95⅝	96⅜	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5s, 1925	97½	98¼	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5s, 1931 (external)	99¾	100	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5s, 1926	99¾	100	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5½s, 1924	97½	98¾	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5½s, 1932	98½	99½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5½s, 1933	102	103	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5½s, 1934	99½	100½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5½s, 1937	104½	105½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5½s, '27 (Vic., internal)	99½	100¼	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Canadian 5½s, '29 (Vic., external)	101	102	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
CHILE:				
Chilean 5s, 1911, 1st series	68	71	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Chilean 5s, 1911, 2d series	72	77	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Chilean 8s, June 30 and Dec. 31	97	103	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Chilean 8s, M. & S.	97	103	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
CHINA:				
Chinese Govt. 4s, 1895	73	77	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Chinese Govt. 5s, 1960	57	61	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Chinese Govt. Hu-Kuang Ry. 5s	41¼	41¾	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
COLOMBIA:				
Colombian Govt. 6s, 1947	63	66	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
COSTA RICA:				
Republic of Costa Rica 5s, 1911	58	60	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
CUBA:				
Cuban Govt. 5s, 1905 (internal)	85	87	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Cuban Govt. 5s, 1918	92	93	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Cuban Govt. 6s, 1917 (l. pcs.)	98	99	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Cuban Govt. 6s, 1917 (s. pcs.)	97¼	98¾	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
CZECHOSLOVAKIA:				
Czechoslovakia Premium 4½s	24	28	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
Czechoslovakia Loan 6%	23	27	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
FINLAND:				
Finland 5½s (internal)	20	25	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
FRANCE:				
French Govt. 4s, 1917	26½	27¼	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
French Govt. 4s, 1917	27	27½	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
French Govt. 4s, 1918	26	28	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
French Govt. 5s (Victory)	32	32¾	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
French Premium 5s	38	39	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
French Govt. (internal) 4s, 1917	27½	28	Jerome B. Sullivan & Co., 42 B'way, N.Y.C.	Broad 7130
French Govt. 5s (premium)	39	39½	Jerome B. Sullivan & Co., 42 B'way, N.Y.C.	Broad 7130
French Govt. (internal) 5s	32½	33	Jerome B. Sullivan & Co., 42 B'way, N.Y.C.	Broad 7130
French Victory 5s	32	32¾	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
French Premium 5s, 1920	37⅝	38¾	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
French 5½s, 1917	66	67	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
French 6s, 1920	37½	38½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
French 6s, 1920	38¼	39¼	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
French Govt. 6s, 1920	38	38½	Jerome B. Sullivan & Co., 42 B'way, N.Y.C.	Broad 7130
GREAT BRITAIN:				
British Govt. Funding 4s	71½	73¼	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
British Govt. Victory 4s	75	77	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
British Govt. 5s, 1929	87½	89½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
British Govt. 5s, 1927	89	91	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
British Govt. 5s, 1929-47	82¾	84¾	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
British Govt. 5¾s, 1925	84⅜	85⅜	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
GREECE:				
Greek Govt. 5s, 1914	78	83	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
ITALY:				
Italian Govt. 5s, 1918-20	38¾	39	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Italian Govt. 5s, 1925 (Treas.)	43¾	44	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Italian Consolidated 5s	38¾	39¼	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
Italian Treasury, 1925	43¾	44¼	C. B. Richard & Co., 29 B'way, N.Y.C.	Whitehall 0500
Kingdom of Italy 6½s, 1925	99	99½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
JAPAN:				
Japanese Govt. 4s, 1931 (large)	79	80½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Japanese Govt. 4s, 1931 (small)	77¼	78¼	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Japanese Govt. 1st series 4½s, '25	93½	93⅞	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Jap. Govt. 2d series, l. p. 4½s, '25	92¼	92¾	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Jap. Govt. 2d series s. p. 4½s, '25	91	92	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Japanese Govt. 5s, 1947	69	71	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
MEXICO:				
Mexican Govt. 3s (silver)	6	7	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Mexican Govt. 4s, 1954	26½	28	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Mexican Govt. 5s, 1899	43	45	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813
Mexican Govt. 6s, 1923	51	52½	Pynchon & Co., 111 Broadway, N.Y.C.	Rector 0813

Dividends Declared and Awaiting Payment

INDUSTRIAL AND MISCELLANEOUS.

Company.	Rate.	Period.	Payable.	Books Close.
Amoskeag Mfg.	75c	Q	Feb. 2	*Jan. 15
Do pf.	$2.25	—	Feb. 2	*Jan. 15
Arizona Com. Mining	50c	—	Jan. 31	Jan. 1
Art Metal Construction	25c	—	Jan. 31	*Jan. 15
Bang Service Stations pf	2	Q	Feb. 1	Jan. 17
Belding-Corticelli	2	—	Feb. 15	Feb. 1
Bigelow-Hartford Carpet	$2	Q	Feb. 1	Jan. 18
Do pf.	$1.50	Q	Feb. 1	Jan. 18
Brill (J. G.) Co. pf.	1¾	Q	Feb. 1	Jan. 24
Bourne Mills	3	Q	Feb. 1	Jan. 16
Bunte Bros. pf.	1¾	Q	Feb. 1	Jan. 25
Burns Bros. Class A	$2.50	Q	Feb. 15	Feb. 9
Do Class B	50c	Q	Feb. 15	Feb. 9
Cal. Packing Corp.	$1.50	Q	Mar. 15	Feb. 29
Canada Cement pf.	1¾	Q	Feb. 15	*Jan. 31
Canadian Converters	1¾	Q	Feb. 15	Jan. 31
Cartier, Inc., pf.	1¾	Q	Jan. 31	Jan. 15
Cerro de Pasco Cop. Cor.	$1	Q	Feb. 1	Jan. 17
Charlton Mills	2	Q	Feb. 1	Jan. 4
Cleve. Cliffs Iron	75c	Q	Jan. 25	Jan. 15
Clinchfield Coal pf.	1¾	Q	Feb. 1	Jan. 25
Cluett, Pea. & Co., Inc.	1¾	Q	Feb. 1	Jan. 21
Columbian Carbon	$1	Q	Feb. 1	Jan. 21
Continental Can	$1	Q	Feb. 15	Feb. 5
Do	5	Stk	Feb. 15	Feb. 5
Continental Mills	4	—	Feb. 1	Jan. 10
Cosden & Co. pf.	1¾	Q	Mar. 1	Feb. 15
Davis Mills	1½	Q	Mar. 22	Mar. 8
Decker & Cohn pf.	1¾	Q	Mar. 1	Feb. 20
Derby Oil & Ref. pf.	$1	Q	Jan. 21	Jan. 1
Det. Brass & M. Works	½	M	Feb. 1	Jan. 26
Dictograph Prod. Cor. pf	2	Q	Feb. 1	*Jan. 15
Dominion Bridge	1	Q	Feb. 15	Jan. 31
Durham Hosiery pf.	1¾	Q	Feb. 1	Jan. 26
Esmond Mills	1½	Q	Feb. 1	Jan. 25
Do pf.	1¾	Q	Feb. 1	Jan. 25
Eisenlohr (Otto) & Bro.	1¼	Q	Feb. 15	Feb. 1
Equit. Eastern Bk. Cor.	2	Q	Jan. 11	Dec. 24
Exchange Buffet	50c	Q	Jan. 31	*Jan. 21
Fair (The) pf.	1¾	Q	Feb. 1	Jan. 19
Federal Sugar Refining	1¼	Q	Feb. 1	*Jan. 21
Do pf.	1½	Q	Feb. 1	*Jan. 21
General Cigar	2	Q	Feb. 1	Jan. 23
Do pf.	1¾	Q	Mar. 1	Feb. 23
Do deb. pf.	1¾	Q	Apr. 1	Mar. 24
General Development	25c	Q	Feb. 20	*Feb. 11
Gen. Tire & Rubber pf.	1½	Q	Feb. 1	Jan. 20
Great Lakes D. & Dock	2	Q	Feb. 15	Feb. 8
Do	2	Ex.	Feb. 15	Feb. 8
Gillette Safety Razor	$3	Q	Mar. 1	Jan. 31
Gossard (H. W.) Co. pf.	1¾	Q	Feb. 1	Jan. 29
Guenther Publishing pf.	5	A	Feb. 15	Jan. 15
Hercules Powder pf.	1¾	Q	Feb. 15	Feb. 4
Hollinger Consol. G. M.	5c	—	Jan. 28	Jan. 10
Halle Bros. pf.	1¾	Q	Jan. 31	Jan. 24
Hood Rubber pf.	1¾	Q	Feb. 1	Jan. 19
Int. Combustion Eng.	50c	Q	Jan. 31	Jan. 23
Int. Nickel pf.	1½	Q	Feb. 1	Jan. 17
Int. Shoe pf.	50c	M	Feb. 1	Jan. 15
Iron Products pf.	$2	Q	Feb. 15	Feb. 1
Kaufmann Dept. Stores	$1	Q	Feb. 1	Jan. 20
Kellogg Sw. & Supply	2	Q	Jan. 31	Jan. 23
Kelsey Wheel pf.	1¾	Q	Feb. 1	Jan. 21
Kress (S. H.) & Co.	1	Q	Feb. 1	Jan. 19
Lincoln Mfg.	2	Q	Feb. 1	Jan. 15
Loose-W. B. 2d pf. cum.	7	Q	Feb. 1	Jan. 18
Luther Mfg.	2	Q	Feb. 1	Jan. 15
Madison Safe Deposit	3	—	Feb. 15	Feb. 9
McCrory Stores pf.	1¾	Q	Feb. 1	Jan. 21
Melville Shoe	50c	Q	Feb. 1	*Jan. 21
Do pf.	2	Q	Feb. 1	*Jan. 21
Merchants' Mfg.	2	Q	Feb. 1	Jan. 15
Mo. Portland Cement	1½	Q	Feb. 1	Jan. 21
Morris Plan N. Y.	1½	Q	Feb. 1	Jan. 26
Mt. Vernon-W. Mills pf.	2½	—	Feb. 1	Jan. 15
Mullins Body Corp. pf.	2	Q	Feb. 1	Jan. 15
Nash Motors	$3.50	S	Feb. 1	Jan. 18
Do	$1.50	Ex.	Feb. 1	Jan. 18
Do pf. A	1¾	Q	Feb. 1	Jan. 18
Nat. Carbon pf.	2	Q	Feb. 1	Jan. 21
New Niquero Sugar	2	Q	Feb. 1	Jan. 25
Orpheum Circuit, Inc.	12½c	M	Feb. 1	*Jan. 20
Package Machinery	$4	—	Mar. 1	Feb. 20
Do pf.	1¾	Q	Feb. 1	Jan. 20
Penn. Traffic	10c	—	Feb. 1	*Jan. 15
Plant (Thos. G.) 1st pf.	1¾	Q	Jan. 31	*Jan. 16
Procter & Gamble	5	Q	Feb. 15	Jan. 25
Prod. & Ref. Corp. pf.	87½c	Q	Feb. 4	Jan. 25
Punta Alegre Sugar	$1.25	Q	Feb. 15	Feb. 1
Pyrene Mfg.	25c	Q	Feb. 1	Jan. 19
River Raisin Paper Co.	1½	Q	Jan. 26	Jan. 15
Russel Motor pf.	1¾	Q	Feb. 1	Jan. 14
St. Lawrence Flour Mills	1½	Q	Feb. 1	Jan. 21
Do pf.	1¾	Q	Feb. 1	Jan. 21
Savannah Sugar	$1.50	—	Feb. 1	Jan. 17
Do pf.	1¾	Q	Feb. 1	Jan. 17
Shell Union Oil 6% pf. A	1½	Q	Feb. 15	Feb. 1
Shove Mills	1½	Q	Feb. 1	Jan. 15
Stevens Mfg.	1	Q	Feb. 1	Jan. 15
Stover Mfg. & Eng. pf.	1¾	Q	Feb. 1	Jan. 21
Trenton Potteries pf.	2	Q	Jan. 25	*Jan. 17
Union Oil Associates	78c	Q	Jan. 26	Jan. 7
United Eastern Mining	15c	Q	Jan. 28	*Jan. 8
Wampanoag Mills	1½	Q	Feb. 1	Jan. 15
Washburn-Crosby pf.	1¾	Q	Feb. 1	Jan. 25
Wheel, S. C. pf. A cum.	7	Q	Feb. 12	Jan. 5
Do pf. B. cum.	8¾	Q	Feb. 12	Jan. 5
White Rock M. S. 2d pf.	1¼	Q	Jan. 31	Jan. 25
Wolverine Port. Cement	1½	Q	Feb. 15	Feb. 5

*Holders of record; books do not close.

Official Washington

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and which would not, at the same time, destroy the value of railroad properties and threaten the nation's prosperity.

Some of the Radical-Progressive group, lacking a definite and effective program which they might support with some hope of success in the present session, are now taking the position that in any event they intend to pound away in the expectation that eventually the major principles which they advocate in efforts to bring about what would be to them a more satisfactory solution of the transportation problem, will be enacted into law. A change in the method of valuation, although not necessarily strictly along the lines advocated by Senator La Follette, is one of the major changes which they seek. Another principle about which there has been some discussion heard lately is the abolition of the so-called minimum rate powers of the Interstate Commerce Commission, under which the commission may prevent a railroad from reducing rates, if it believes there is good reason for such a stand. It is contended that the inclusion of this grant of power in the Transportation act has had the effect of stifling competition among the railroads. Another principle under discussion is the desirability of leaving in the hands of the Interstate Commerce Commission the authority of reviewing intrastate as well as interstate rates.

It may be that the Democratic minority, the independent Republicans and the Radicals will combine in legislation for the repeal or drastic amendment of Section 15-a and send such legislation to the President, although there has been no flat declaration to that effect as yet from any responsible leader of the Democratic forces. It is doubtful if this would bring the desired results immediately, although there is no doubt that it would shake the confidence of investors in railroad securities, and make a strong political appeal to voters in certain agricultural districts who have been told that Section 15-a is responsible for many evils.

The Democrats in the Senate, if they stand together on such a proposal—and that is extremely doubtful—will have sufficient votes, along with the Radicals and independent Republicans, to adopt amendments to the Transportation act necessary to the repeal of Section 15-a. In that event it is almost a certainty that President Coolidge will use his veto power, although the foes of the Administration are declaring that by such action he would lose many a Western State in the national election. And Democrats, Radicals and independent Republicans have not sufficient strength to adopt such legislative proposals over a Presidential veto.

It is said that Chairman Smith of the Interstate Commerce Committee of the Senate, which must review all proposals for rail legislation, has indicated privately that while he is opposed to certain features of the Transportation act of 1920, he is not prepared to go over the radical route with Senator La Follette or other independents and radicals who are primed for a vicious attack upon the act. His efforts will be directed toward the discovery of some milder course which gives promise of bringing relief to the agricultural districts and paving the way for a practical solution of some of the problems which have made the transportation question the centre of lively controversy. The development of such a program is not an easy task, but probably the Democratic viewpoint will soon be made known.

As to Senator La Follette's bill providing that the Interstate Commerce Commission shall fix rates on the basis of cost of service rather than on the present basis which takes into consideration the present value of the physical properties involved, it is the general opinion here that should it be made into a law, it would be held unconstitutional by the Federal courts. At best it could only pave the way for a long controversy in the courts, with the prospect that in the end it would be rejected.

Auditing Safeguards Business

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welcome as simple and straightforward a presentation as is presented herein.

This, however, is a subsidiary value of the book. Its pre-eminent worth is as a textbook. There are chapters covering the qualifications of the auditor, the purposes and types of an audit and how to begin one. Consideration is given to all matters pertaining to the actual work, such as the balance sheet, cash, accounts and notes receivable, inventories, plant accounts, good will, revenues, expenditures, &c. The assembling of the data and the form of reports and certificates, together with some legal and ethical questions, are all treated. An appendix contains 300 questions thoroughly covering the text.

Mr. Montgomery writes simply and with much common sense. His subject matter is divided for ready study and digestion. "Auditing Principles" is complete, workmanlike, authoritative and modern. It deserves a wide circulation, being from all angles a thoroughly useful textbook, suitable for either personal or classroom use.

Mellon's the Most Scientific Tax Law Ever Proposed

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the Federal income and excess profits taxes for the same year. Ordinarily the corporation observes the provisions of this article in computing current earnings available but applies the balance of the dividend to its book surplus, which may have been reduced by a considerable amount of unallowable deductions. Then, too, non-taxable income is not included in the available earnings for the current year but is included in book surplus for prior years.

Assume the case of a corporation which has no surplus at the beginning of the year but shows a net income for tax purposes for the taxable year of $25,000 after having deducted dividends received and non-taxable income of $50,000. A dividend of $50,000 paid by such a corporation in December of the taxable year would be deemed to be paid out of capital to the extent of $25,000. This state of affairs can be corrected by defining earnings as used in this section to mean "earnings as finally determined for Federal income and excess profits tax purposes increased by the amount of dividends received and non-taxable income and decreased by the amount of Federal income and excess profits taxes paid."

No provision is made for the effect of a loss in the taxable year, on accumulated earnings, or earnings in the taxable year with a deficit at the beginning of the year. The law should provide that accumulated earnings are to be reduced by any current loss up to the date of dividend and that any deficit since March 1, 1913, is to be offset by earnings before any dividend may be paid out of earnings.

Under the present law liquidating dividends in complete or partial liquidation of a corporation are treated as ordinary dividends to the extent of the earnings distributed. The proposed law re-enacts the 1918 treatment of such dividends by regarding them in the same light as the sale of the stock, the gain or loss to be determined as in the case of a sale.

If at present a stock dividend is declared and thereafter stock redeemed or canceled so as to create a distribution of profits in evasion of tax, the amount received is treated as a dividend to the extent of earnings distributed. The proposed law fills a loophole by providing the same in cases where cancellation or redemption is made with the same intent before the stock dividend is declared.

Under the present law, if a distribution is made out of capital or earnings prior to March 1, 1913, and is therefore tax-free, no loss can be taken on the disposition of the stock unless the cost or other basis of the stock is in excess of the price received on the sale, plus such tax-free distribution. The proposed law adds the tax-free distribution to the price realized on sale or other disposition in all cases whether resulting in a loss or gain.

The provisions regarding the basis to be used in determining gain or loss on the disposition of property are clarified in the proposed law by the embodiment of present regulations into the law. The basis as in the present law is to be diminished by depreciation, obsolescence and depreciation sustained since the acquisition of the property. The further addition is made, however, of deducting depreciation, obsolescence and depreciation sustained prior to March 1, 1913. I believe that such provision will cause inequity in the same manner as the similar provision under the excess profits tax. Many taxpayers prior to March 1, 1913, did not take a definite rate of depreciation, but charged all additions and improvements to expense, thus more than taking care of depreciation. It would be better to omit this provision entirely and provide instead that, where the basis is other than inventory value in the case of property acquired prior to March 1, 1913, such basis shall be reduced by the depreciation, obsolescence or depletion, &c., actually sustained prior to March 1, 1913, as has not been offset by actual additions and improvements in the same period.

This section also provides that the basis, and in the case of property acquired before March 1, 1913, its fair market value on that date shall be diminished by the amount of such deductions (depreciation, &c.) which has since the acquisition of the property been allowable as a deduction under this act or prior income tax laws. In the case of property which has been acquired prior to March 1, 1913, depreciation and depletion have under the prior and present income tax laws been allowed on the value as of March 1, 1913. Under the proposed law the depreciation, &c., allowed, even though on March 1, 1913, value would have to be deducted from the basis in computing gain or loss.

Assume the case of property acquired prior to March 1, 1913, at a cost of $20,000, but worth on that date $40,000. If 2 per cent. has been allowed on March 1, 1913, value from 1913 to 1923, depreciation amounting to $8,800 has been deducted. The taxpayer sells the property in 1924 for $5,000. The computation of loss would then be: Cost $20,000, less depreciation of $8,800 based on March 1, 1913, value (without consideration for this example of prior depreciation), leaving $11,100 as the net basis as compared with a selling price of $5,000,

showing a loss of $6,200. This seems illogical, however, inasmuch as the basis is cost while the depreciation in accordance with the proposed law is based on March 1, 1913, value. This can be corrected by providing that in computing gain or loss on the disposition of property, depreciation, &c., to be deducted shall be based on the basis used in the computation.

Section 203 of the proposed law eliminates a means of tax evasion under the present law. No gain or loss is recognized under the present law on an exchange of property if the property received in exchange has no readily realizable market value. This has permitted all sorts of exchanges without tax. The proposed law, however, includes exchanges whether the property received has a readily realizable value or not. Certain specified exchanges may be made, however, without tax even though the property received has a readily realizable value. These exceptions agree with those under the present law to a great extent. The exemption from tax of exchanges of stock and securities for stock and securities in connection with reorganizations is broadened to include practically every conceivable exchange made in a reorganization. In general, the intention of the present law in this respect is now clearly expressed in unequivocal language. Under the present law the intention is defeated by the lack of proper expression.

Section 203(5) of the proposed law changes the computation of gain or loss on property destroyed or seized, requisitioned or condemned and converted into like property or money which is expended on the acquisition of like property. The gain under the proposed law is computed in the ordinary way except that such gain is not to exceed the amount of money not expended in such replacement. Under the present law, the taxable gain is that proportion of the total gain which the amount unexpended bears to the entire proceeds. The proposed change is the only logical method of computing gain in such a case.

The proposed law supplies a serious omission in the present law in the case of property exchanged for stock in a corporation, which the previous owner or owners of the property control, and in the case of reorganizations. Under the present law property in such cases was transferred without tax and the corporation receiving the property placed an inflated valuation on it, calling such valuation the cost price to be deducted in case of sale and used as a basis for depreciation deduction while held. The proposed law, however, provides that such property is to be valued on the same basis as it would have been in the hands of the transferor, increased or decreased in the case of any gain or loss recognized on the exchange.

Where a sale of securities is not recognized because of the repurchase of identical property within thirty days before or after, the proposed law provides that upon a bona fide sale of the repurchased securities the basis is to be the basis of the original securities plus or minus the increase or decrease of the repurchase price over the selling price. Incidentally, the proposed law disallows a loss on the sale not only if repurchased within thirty days but also if a contract or option to repurchase has been entered into. This appears to fill all the gaps.

The proposed law re-enacts the provision covering net losses with several changes. The present law provides for the deduction of a net loss from operation of a business sustained in one taxable year from the net income of the two succeeding taxable years. On account of the definition of taxable year, however, a net loss sustained in a fractional year could not be recognized nor could an allowable net loss be deducted from a succeeding fractional year. This obviously unjust treatment is remedied by the definition of taxable year in the proposed law to include a fractional year.

The present law does not restrict the deduction of any non-business deductions except non-business losses in the computation of a net loss, whereas the proposed law restricts the deduction of non-business deductions to the amount of non-business gross income. The proposed draft in this manner restricts, as under the present law, the net loss allowance to only losses resulting from the operation of business. Why should not the same consideration be given to non-business losses (except capital net losses) or excess of total ordinary deductions over gross income? Nor does there appear to be any reason why tax-free interest should be allowed to diminish the net loss. In allowing such net losses the intention of Congress was to allow the recomputation of net income over a three-year period so as to eliminate any error in computing on a basis of twelve months. The computation of income on a yearly basis is simply a matter of convenience and permits the collection of tax yearly. Computation over a three-year period, however, is a more satisfactory computation of net income, except perhaps in rare cases. The deduction allowed should be the excess of allowable deductions over gross taxable income for the period, excepting so much of the net loss as represents a capital net loss. The justice of this is seen in the comparison of two taxpayers. A and B, both of whom over a three-year period have a net income of $300,000. For the separate years, however, A shows a net income of $100,000 each year while B shows for the first year a net excess of deductions over gross income of $100,000 and for each of the next two years a net income of $200,000. A probably takes the same amount of deductions

over the three-year period as B actually sustains but which B may not deduct under present or proposed law unless his net loss is from operation of a business.

Under the proposed law, dividends received are not, as under the present law, added to gross income in the determination of a net loss. Also, the net loss is first applied to ordinary net income for the succeeding year and then to capital net gain for the same year, and the excess net loss is applied in the same manner in the next succeeding year. In case a capital net loss is suffered in the second year, the net loss is applied to ordinary net income and the excess carried forward and treated the same way in the next succeeding year.

Consistent with my feeling that all of the excess of deductions over gross income should be carried forward, I suggest that so much of the excess of deductions over gross income as represents a capital net loss should be carried forward separately and applied in the same manner as for the taxable year under the proposed law.

Capital gains are taxed at the election of the taxpayer at 12½ per cent. under the proposed law as under the present law. Capital gain under the proposed law is not only the excess of the total capital gain over the sum of the capital deductions and capital losses, which agrees with the present law, but also the excess of capital gain over this sum plus the amount, if any, by which the ordinary deductions exceed the gross income computed without including capital gain. Capital loss means the excess of the sum of the capital losses plus the capital deductions over the total amount of capital gain. The proposed law allows the use of the 12½ per cent. rate on capital gains to all taxpayers, removing the restriction under the present law which does not permit the computation of 12½ per cent. on capital gains if the total tax amounts to less than 12½ per cent. of the total net income. This is an improvement over the present law.

The treatment of capital losses under the proposed law is consistent with that of capital gains. In other words, 12½ per cent. of the capital net loss is deducted from the tax on the ordinary net income. But the total tax is in no such case to be less than it would have been had the capital net loss been applied as a deduction and the tax computed at the rates on ordinary net income. Under the present law, capital net losses are permitted as deductions in computing net income while capital gains are subject to only a 12½ per cent. tax. This is obviously unfair to the Government and needs the amendment offered in the proposed law.

Secretary Mellon offers a new feature, namely, a credit of 25 per cent. of the tax on "earned income." Earned income is defined to include wages, salaries and professional fees. Outside of the fact that the computation of the credit would involve quite a few complications, the new feature is utterly impracticable. The definition of earned income does not include commissions or brokerage fees or the income of many businesses which render personal service. Then there are also businesses in which a great part of the net income is attributable directly to personal service and the remainder to capital. But the greatest obstacle to overcome is the payment by close corporations of unreasonably large salaries to officers. This difficulty was encountered in an endless number of instances in the excess profits tax period. The Government disallowed many salaries as unreasonable. The taxpayer contested the disallowance and the Government usually had a hard time of it to prove or attempt to prove the salaries unreasonable. The same condition will occur under the administration of the proposed reduction on earned incomes in spite of the provisions that only "a reasonable allowance as compensation for the personal service actually rendered" is to be recognized. The intention of the section is noteworthy but cannot be administered satisfactorily without friction and additional expense to the Government.

Deductions under the proposed law remain practically the same except for one amendment. Section 214C provides that interest on indebtedness and losses sustained in the year on transactions entered into for profit shall be allowed only to the extent that the sum of these deductions exceeds the amount of wholly exempt interest received by the taxpayer. This change is fair if applied only to the deduction for interest and not to losses. It cannot be seen what connection the deduction for losses has with tax free interest. Such a provision can be intended only to offset a large amount of tax-free interest and practically nullify the exemption of such interest.

To take away an exemption which was granted before the issue of the bonds would be a breach of faith. There is, however, some logic in applying interest paid against tax-free interest. If such tax-free bonds are held and the taxpayer borrows money, necessitating the payment of interest, such interest may, even under the present law, be disallowed, inasmuch as it involves indebtedness incurred to carry tax-exempt securities.

The taxation of estates and trusts is altered in certain cases. Under the present law where, under the terms of the will or deed, the trustee may in his discretion distribute the income or accumulate it, the income is taxed to the trustee irrespective of the exercise of discretion. The proposed law treats such an estate more equitably by taxing

the income to the estate but allowing the deduction from net income of any amounts properly paid or credited to beneficiaries.

Under the present law no distinction is made between revocable and irrevocable trusts for the purpose of tax. Where the grantor of a trust, under the proposed law, reserves the power of revocation, then the income of the trust is taxable as income to the grantor. The new section goes still further by providing that where the income or part of the income of the trust may in the discretion of any person, including the grantor, be distributed or held for future distribution to the grantor, or where the income or part is or may be applied in the payment of insurance premiums on the life of the grantor, such income or part of the income is to be taxed as income to the grantor.

Credit for taxes paid to foreign countries or possessions of the United States may be taken, at the option of the taxpayer, in the year in which accrued even though the taxpayer is reporting on the cash basis. This allows the taxpayer to credit such taxes in the year in which they are actually incurred.

Under the present law, any return for less than a year must be placed on an annual basis and the total tax on such income reduced to the proportion which the period bears to twelve months. Under a recent court decision, such provision has been interpreted as not applying to estate of decedents or decedents' returns for a fractional year. The proposed law applies the same provision as the present law only in the case of fractional year returns made as a result of change from fiscal to calendar year, vice versa or fiscal to fiscal. In all other cases, such as returns of estates, decedents or first returns of businesses for a fractional year, the net income for such period is to be used, except that the exemption is to be reduced in proportion to the length of the period.

The Mellon law requires all partnership and fiduciary returns to be filed with the Commissioner instead of with the Collector. This is to avoid the confusion which arises where the partners or beneficiaries live in districts different from that of the partnership or estates or trusts. This plan would not be feasible in the case of estates or trusts which are required to pay taxes. It would be necessary to send payments to the Collector and returns to the Commissioner. Payments to the Commissioner would not be very practicable.

There are other new provisions affecting administration of the tax which reflect the lessons learned from experience in taxation. It is to be hoped that Congress will take sufficient time to enact an equitable tax law, using the Mellon rates with provisions which will not have to be changed yearly on account of inequity or impracticability.

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$40,000,000

Government of the Argentine Nation

External Sinking Fund 6% Gold Bonds of 1923, Series "A"

Due September 1, 1957

Principal and interest payable in the City of New York in United States gold coin without deduction for any Argentine taxes or impositions present or future. Interest payable March 1 and September 1. Coupon bonds in denominations of $1,000 and $500 registerable as to principal only.

For further information regarding this issue of Bonds reference is made to a letter received from Felipe A. Espil, Esq., Charge d'Affaires of the Government of the Argentine Nation at Washington, copies of which may be obtained from the undersigned and which he has summarized as follows:

GENERAL: "The Argentine Republic has an area of approximately 1,100,000 square miles or over one-third of the area of the United States, and leads all South American countries in volume of foreign trade. There are today 22,355 miles of railroad. The Government itself has considerable mileage under construction."

GOLD RESERVE: "The total note circulation amounts to Pesos 1,362,564,000 paper, equal to Pesos 599,528,000 gold, which is covered by a gold reserve of Pesos 475,003,000 (=U. S. $458,300,000) or 79%, one of the highest in the world."

FINANCES: "The national debt as of December 31, 1923, at gold parities of exchange, amounts to Pesos 932,000,000 gold, being equivalent to $100 U. S. per capita as against over $200 per capita for the United States. In addition, the Nation guarantees the bonds of the National Mortgage Bank which is self-supporting and has a large reserve of its own. Argentine credit in Europe ranks very high. A large number of pre-war Argentine loans are listed in London and on the Continental Stock Exchanges of Europe, none of which carries a higher interest rate than 5%. During the war, the Argentine Republic made large advances to some of the Allies, besides repurchasing a large part of the Argentine securities previously placed in European markets."

PURPOSE: "The proceeds of this issue will be applied toward the payment of short term notes included in the total debt as stated above."

RESTRICTIONS: "The Government covenants, and the bonds shall so provide, that if, while any of the bonds of the External Loan of 1923 shall be outstanding, the Government shall create or issue or guarantee any loan or bonds secured by lien on any of its revenues or assets, or assign any of its revenue or assets as security for any guaranty of any obligation, the bonds of the External Loan of 1923 shall be secured equally and ratably with such other loan or bonds or such guaranty."

SINKING FUND: "Beginning March 1, 1924, and thereafter semi-annually on March 1st and September 1st in each year, the Government of the Argentine Nation will pay, in United States gold coin of the standard of weight and fineness existing September 1, 1923, as a sinking fund for the purchase of bonds below par or their redemption at par, (a) an amount equal to one-half of 1% of the maximum principal amount of the bonds of Series "A" at any time theretofore issued, plus (b) an amount equal to the interest accrued and unpaid on all bonds acquired through the operation of the sinking fund to the date of each such sinking fund payment. Sinking Fund payments may be increased by the Government in its discretion."

THE UNDERSIGNED OFFER THE ABOVE BONDS, SUBJECT TO PRIOR SALE, AT 96½% AND ACCRUED INTEREST TO DATE OF DELIVERY, TO YIELD 6¼% TO MATURITY.

Government of the Argentine Nation Six Months 6% Treasury Gold Notes due March 1, 1924, will be accepted in payment for these Bonds on a 4% interest basis, provided that notice of the amount of such notes to be tendered in payment is given not less than five days prior to the date fixed for delivery of and payment for the new Bonds.

The above bonds are offered if, when and as issued and received by the undersigned and subject to the completion of their purchase and approval of counsel. Temporary bonds or interim receipts exchangeable for definitive bonds when prepared may be delivered against payment in New York funds.

Kuhn, Loeb & Co. Blair & Co., Inc.

New York, January 17, 1924.

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